

ELEXON

BSC ANNUAL REPORT
2023/24



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Top outputs we delivered for customers in 2023/24

9 modifications and
19 Change Proposals
implemented

19

Helped 70 companies
register for new roles in
the market

70

Responded to 10
consultations

10

Helped 2 VLPs enter the market
bringing to total number of active
VLPs to 13

13

Managed £1.53Bn
in Credit Cover

£1.53Bn

Completed development of the Insights Solution data
service and switched off BMRS and legacy infrastructure to
support it, which is already saving parties £300k per year

£300k

7 BSC Party qualification applications and
1 re-qualification application approved by
the Performance Assurance Board

7

Processed more than 4,350,470 Energy Contract Volume
Notifications (ECVNs) – around 1 million more than in 2022/23

+ 4,350,470

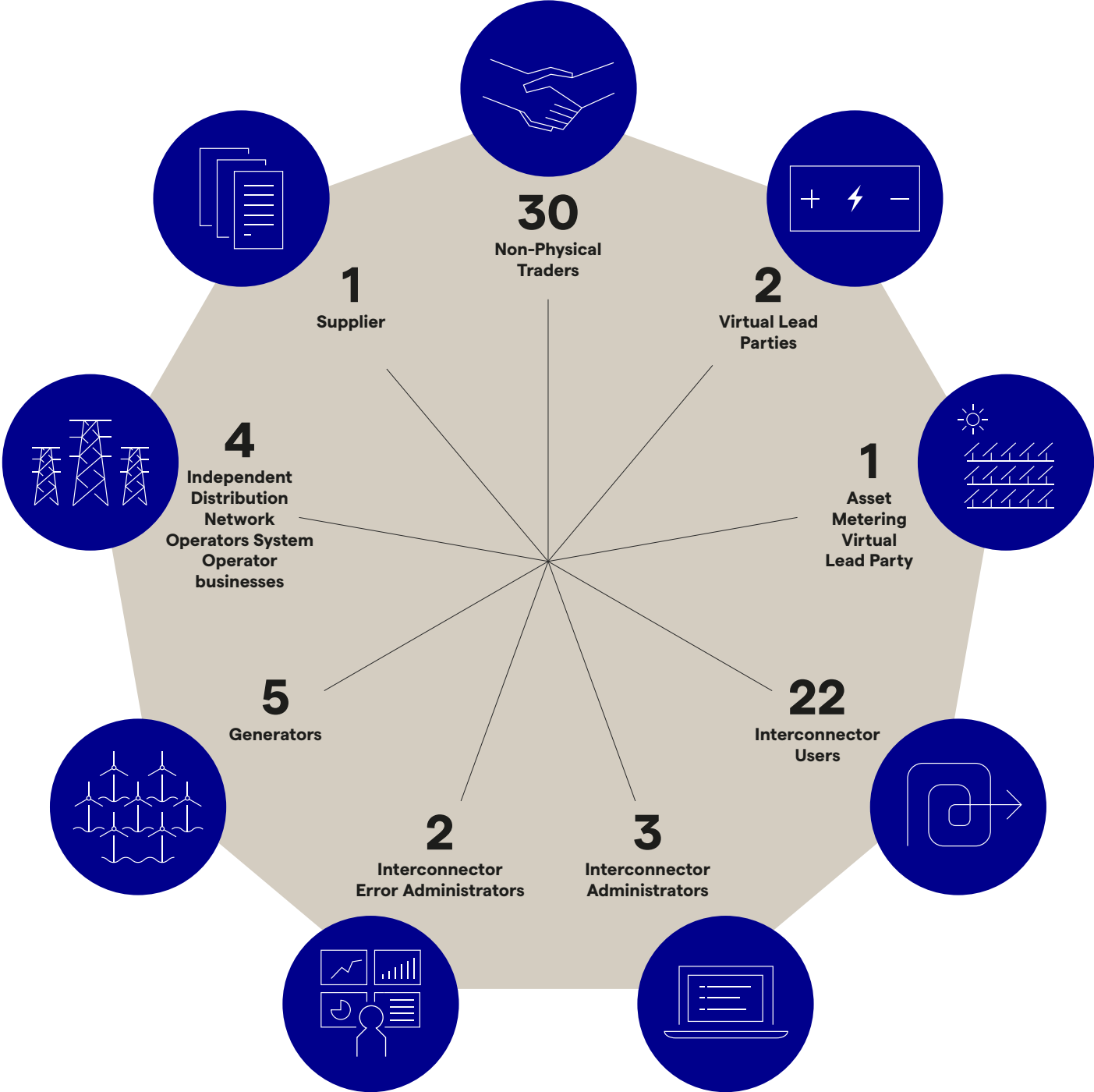
74 Trading Disputes raised
and closed during 2023/24
totalling more than £4.1m

£4.1m

2,545 Settlement
Runs carried out

2,545

Breakdown of roles for the 70 companies Elexon has helped to enter the market during 2023/24



Report from the Chair

Sara Vaughan
Chair, Elexon Ltd and the BSC Panel



Annual Balancing and Settlement Code (BSC) Report 2023-2024

The past year has been a period of relative stability for the energy markets, during which wholesale prices have fallen from the record highs of 2021 and 2022. The significant reduction in the number of retail suppliers since the energy crisis which began in autumn 2021 has been followed by significant consolidation. Octopus is now the largest electricity supplier by market share (according to Ofgem data), after having entered the market in 2016.

The reduction in wholesale prices has brought some relief to consumers, in the form of a reduction in Ofgem's energy price cap. However, reflecting the unprecedented backdrop to this reduction and the broader cost of living crisis, Ofgem has also reported that British households have built up record levels of energy debt. That brings a stark reminder to all of us who work in the industry that, despite wholesale costs falling, many consumers are still struggling to pay for essential services. The role of the BSC Panel and Elexon is to continue to work as efficiently as we can to deliver the best value for BSC Parties, and ultimately consumers, who pay for BSC services as part of their bills.

This annual Balancing and Settlement Code (BSC) report 2023/24 is published alongside Elexon's 2023/24 Annual Report and Financial Statements, which focus on Elexon's activity and financial reporting.

Update on ownership changes

The proposed movement of NGENSO into public ownership and the creation of a National Energy System Operator (NESO) led to a final decision on Elexon's ownership. Elexon is to remain in industry ownership with our independence and neutrality unchanged, and the 13 largest energy Suppliers and Generators taking on shares. As the details of the transition reach conclusion, we remain committed to supporting the Government, Ofgem and industry in facilitating a smooth changeover. It was previously expected that the NESO would be launched in early July. However the announcement of a July general election and the pre-election period will have impacted that timetable and consequently the transition to our new ownership arrangements.

New capabilities to maintain excellent Settlement services

For over 20 years, Elexon's core role has been to serve the wholesale market by providing accurate Settlement and excellent service. As always, we remain focused on this important task whilst also being receptive to new and changing developments. In 2023/24 the industry

took some major decisions that will shape what the sector looks like for years to come. Data, digitalisation and flexibility have been key themes, and Elexon has taken a proactive role in progressing these in a number of ways. The long-standing Kinnect re-platforming programme, of which the new Insights Solution forms part, as well as the Data Integration Platform (DIP) and the Helix Programme, are clear examples.

Delivering excellent BSC services is a top priority for Elexon and the Panel. Elexon already provides a single point of contact for Parties to raise questions or issues about the BSC. I am pleased that Elexon has taken this a stage further, by launching [Elexon Support](#) in January 2024. This is a new customer service management function supported through an IT platform, which makes it much easier to connect our customers with the expertise of Elexon colleagues.

Reforms to energy code arrangements

Ofgem's publications (in January and March 2024) on implementing the reforms to the energy code landscape [as set out in the Energy Act 2023](#) provide clarity on the steps to transition to the new arrangements, which is positive. Elexon and the Panel have been active in responding to these publications. Ofgem proposes that Elexon is among the first bodies to be licensed as a code manager, and we look forward to working with Ofgem and the Department for Energy Security and Net Zero (DESNZ) in shaping the new regime. We see the proposal for the BSC to remain standalone as a vote of confidence in the work of the Panel and Elexon colleagues.

In operating the BSC, Elexon has an integrated model (as the BSC code manager and delivery body for the BSC central systems). This will be an advantage as a licensed code manager, since Elexon already embodies much of what is expected of the licensed code manager role. Elexon has an 'end-to-end' change process, from the development to implementation of rule changes, and it can leverage this to speed up the implementation process in the future.

The Panel was pleased to see how far Ofgem's thinking on stakeholder advisory forums under the code arrangements had evolved. Ofgem has now proposed that the forums will now have a fixed membership of impartial code party representatives, alongside paid members that are independent of industry. It was positive to see the BSC Panel referenced directly in relation to this form of governance, which closely reflects the Panel's own arrangements.

Elexon also welcomes Ofgem's plan to insert a condition into all electricity licences that requires companies to support the development of code Modifications related to its Strategic Direction Statements. Far-reaching changes will need to be made to the BSC in the coming years and therefore an incentive for industry Parties to collaborate with Elexon on changes will be important.

Being among the first licensed bodies will allow us to transition to the new code arrangements quickly, while keeping up the pace of delivery for our major programmes. Our commitment to BSC Parties is that we will seek to make the transition as smooth as possible, so that we can get on with delivering what they, and other BSC stakeholders, expect of us.

Supporting next steps on the Review of Electricity Market Arrangements (REMA)

We were pleased to see the REMA programme moving to its next phase, with the issue of a new consultation (in March 2024) under which the number of potential market design options has been further reduced. DESNZ has spent considerable time engaging with the industry and other stakeholders, listening to a wide range of views and opinions. As the Government moves closer to making its final market design choices it is important that those decisions are evidence-based and founded in a robust cost-benefit analysis. In the meantime, Elexon is working on ensuring that its processes and systems are able to respond to implementation of the changes coming from REMA along with other policy and regulatory initiatives.





Preparing for flexibility to play a bigger role in the electricity system

Elexon and the BSC Panel have done much to help facilitate a greater role for distributed flexibility in the Balancing Mechanism and wholesale market, including during 2023/24. The Government estimates that the UK will need an estimated 30GW of flexibility by 2030, which is around a quarter of the current total installed capacity.

Distributed flexibility will play an increasingly valuable role in the future energy system, and is a critical enabler in achieving Net Zero in the power sector by 2035, as well as throughout the economy by 2050. Elexon recognises the projected value of flexible markets, notably the £10bn per year reduction in cost by 2050, and is committed to playing a major role in making those markets work effectively, delivering the benefits for industry and consumers.

The market facilitator role for flexibility is required to act as a catalyst and a coordinator for flexibility provision and, following industry endorsement, Elexon is now being considered for the role of Market Facilitator. The Panel strongly supported Elexon's case for taking on the role, in Ofgem's December 2023 consultation. Ofgem has informed Elexon that it will make a decision after the election on whether Elexon, or the NESO should take on the role.

Making changes to the BSC to help flexibility providers compete in providing balancing services remains a top priority. In the 'Operation of the BSC' section of the report, there are examples of such changes, including 'P415 'Facilitating access to wholesale markets for flexibility dispatched by VLPs', a landmark change, which will provide Virtual Lead Parties (VLPs) with access to the

wholesale electricity market from November 2024.

Progress on Elexon's major investment programmes

Over the past year, Elexon has continued to progress its major transformation programmes. In May 2024, we reached a key milestone with the switching off of the Balancing Mechanism Reporting Service (BMRS) and its replacement with the [Insights Solution](#), a much-improved wholesale market data service. The Insights Solution is a key pillar of Elexon's Kinnect platform (our new platform for delivering BSC services). It provides a highly visual, detailed and customisable data service, backed by class leading APIs, and will help Elexon to better serve customers with data, and maintain its position as a leading data provider in the sector.

The whole Kinnect programme will be completed in October 2024, once remaining BSC agent services have been migrated to the Kinnect cloud environment and the legacy BSC agent systems have been switched off. The Panel has closely monitored the roll out of this programme, and is satisfied that Elexon has brought it in within its agreed budget, despite inflation pressures, and a challenging cost environment. At all times, Elexon has sought to deliver this new platform efficiently.

The Market-wide Half Hourly Settlement (MHHS) Programme passed an important milestone in October 2023, when it entered System Integration Testing (SIT) and completed Component Integration Testing (CIT) in March 2024. The phases of testing will qualify a select number of Parties ahead of go-live in March 2025. Following the successful development by the MHHS Programme of the Data Integration Platform, this will also form an integral part of testing. Overall, the SIT is a critical phase for determining whether the new MHHS arrangements function correctly and have been implemented according to the MHHS design requirements.

Elexon's approach to MHHS implementation allows market participants to move at different paces, according to their ability to deliver. Altogether, there are around 200 programme participants, and around 30 of those that have designed and built half hourly settlement systems have already volunteered to be part of the SIT phase. This will be the fastest moving group to transition to half hourly settlement, with migration starting from April 2025.

Remaining companies will be assigned to a suitable 'qualification wave' depending on when they are ready to transition. All Suppliers must have qualified and be able to access Meter Point Administration Number (MPANs) under the new Target Operating Model in March 2026. A key area of work for Elexon's assurance team over the past year (and throughout the MHHS programme) is to work with the MHHS Programme and the Retail Energy Code Company to develop and deliver a suitable qualification process for all participants.

An important year for delivery

During 2023/24 Elexon implemented 28 BSC changes (9 Modifications and 19 Change Proposals), which include Modifications which support Net Zero, and Elexon's strategic objectives. The BSC Committees (the Credit Committee, Imbalance Settlement Group, Performance Assurance Board, Supplier Volume Allocation Group and the Trading Disputes Committee) also continue to deliver high quality support to the Panel in governing the code. In the Operation of the BSC, and Committee Summaries section of the report there are examples of how the work of Elexon, and the committees is delivering beneficial outcomes for the sector. On behalf of the Panel I would like to thank all those from the industry who have dedicated time to help develop BSC changes, and participate in the committees.

Elexon as a trusted delivery partner

During the past year, Elexon has continued to demonstrate its expertise in delivering new schemes at speed, to support various Government energy policies. Following on from the successful delivery of the Energy Price Guarantee and the Energy Bill Discount Scheme, Elexon also administered payments to Suppliers for a temporary scheme established by Ofgem in October 2023 to March 2024, allowing Suppliers to discount daily standing charges for pre-payment meter (PPM) users.

In [March 2024](#), the Government confirmed that Elexon, through its subsidiary, Electricity Market Reform Settlement (EMRS), will administer a levy to fund the Government's nuclear regulated asset base (RAB) approach, which supports the development of new nuclear plants including Sizewell C. The decision recognises the consistently high standard of service that EMRS has achieved on its support services for the Capacity Market and Contracts for Difference schemes.

From [April 2024](#), Elexon will be administering a new scheme for around 340 energy intensive industries in Great Britain, to compensate them for the cost of network charges on their electricity bills. This is one of three measures that have been introduced under the Government's [British Industry Supercharger](#) scheme.

Welcoming new colleagues, and bidding farewell to others

The energy sector is clearly evolving, and so too is Elexon, as this year has also seen changes to the Elexon Board.

We said goodbye and thank you for all their contributions, in some cases over many years, to Clare Duffy, Simon McCalla, and Yasmin Mouse, and welcomed Devrim Celal and Peter Stanley to the Elexon Board. Devrim brings over 20 years of experience in leadership positions across a variety of industries and sectors delivering innovative solutions. Peter became Elexon's CEO and a Board member in October, building on the in-depth experience he had already brought as an Elexon Executive team member over a number of years, coupled with his long industry experience.

Sara Vaughan

Chair, Elexon Ltd and the BSC Panel



Elexon Board remuneration

Section C4.4.5 of the BSC requires us to publish the remuneration and benefits payable to all of Elexon's non-executive directors in their capacity as directors of Elexon. In accordance with Section C4.4.2,

Elexon's Chief Executive Officer does not receive any additional remuneration in their capacity as a director of the company.

Figures below show actual amounts paid during 2023/24.

Sara Vaughan

Chair of Elexon Ltd and Chair of the BSC Panel

Total amount paid for both roles

£120,000

Devrim Celal

Non-Executive Director

£13,300 (from the start of his tenure on 1 November 2023, to 31 March 2024)

Clare Duffy

Non-Executive Director (Senior Independent Director) until October 2023

£19,800 (earnings from April 2023 to October 23)

Tim Fitzpatrick

Independent Non-Executive Director and Audit and Risk Committee Chair

£36,000

Anne Heal

Non-Executive Director and People and Remuneration Committee Chair

£36,000

Ian Graves

Non-Executive Director

£32,000

David Titterton

Non-Executive Director, Senior Independent Director (from October 2023), Transformation Committee Chair

£38,000

BSC Panel remuneration

Section B2.11.5 of the BSC states that any remuneration or benefits awarded to the Panel Chair and Chair-appointed Independent Panel members should be disclosed in the Annual BSC Report.

Sara Vaughan Chair of the BSC Panel

For total amount paid to Sara Vaughan, see Board remuneration section.

Panel Members

Dr Phil Hare Role:

Independent Panel Member and Deputy Chair

Remuneration/benefits

Total earnings of £32,750 reflecting an:

- Annual fee of £25,000 (the annual fee covers 12 set Panel meetings per year as well as the preparation that goes into those meetings)
- £250 for each additional pre-Panel briefing as Deputy Chair
- £1,000 per additional meeting/day and £500 per half day

Professor Derek Bunn Role:

Independent Panel Member

Total earnings of £25,500 reflecting an:

- Annual fee of £25,000 (annual fee covers 12 set Panel meetings per year as well as the preparation that goes into those meetings)
- £1,000 per additional meeting/day and £500 per half day

Equality Diversity and Inclusion (EDI) at Elexon

At Elexon, we believe a diverse and inclusive culture allows innovation and creativity to flourish. It is a central pillar to our efforts to recruit, retain and support colleagues. We are committed to continually improving our culture and creating a safer space for all of our colleagues, so that they can perform at the highest level.

During 2023/24 we have:

- Delivered eight 'Diversity Dialogue' events which give our people the opportunity to hear from their colleagues with first hand stories relating to their individual experiences. The topics covered have been wide and varied and have included baby loss, surviving cancer and grief awareness
- Hosted events for National Inclusion Week
- Hosted and promoted Womens Utilities Network events in the Elexon Office.
- Established the Elexon EDI Steering Group to carry forward EDI initiatives
- Attended external EDI Events including Energy UK's Annual EDI in Energy Conference.

Number of meetings attended by BSC Panel members

BSC Panel Members are appointed by:

- Election (in the case of Industry Members), or by appointment
- The Panel Chair (in the case of Independent Members)
- NGESO in the case of the National Grid ESO Panel Member
- Distribution System Operators DSOs (in the case of the DSO Representative)
- Citizens Advice (in the case of Consumer Panel Members).

There were 12 scheduled BSC Panel meetings during 2023/24. At scheduled meetings, Panel Members decide on whether or not to recommend Modifications for approval by Ofgem. Ad hoc, or urgent meetings are used for discussing urgent business, for example Supplier of Last Resort (SoLR) issues, Supplier Default and voting on urgent Modifications. No urgent or ad hoc meetings took place over 2023/24. A Consumer Panel Member attended every meeting in 2023/24.

The Elexon logo is displayed in a light grey rectangular box. The word "ELEXON" is written in a bold, sans-serif font. Each letter is a different color: E (blue), L (light blue), E (green), X (yellow), O (orange), N (red).

Number of meetings attended by BSC Panel members

(Continued)

Attendance

(Numbers in brackets show the maximum number of meetings that each Panel member could have attended, as some new Panel members joined during the year)

Attendance	Number of the 12 scheduled meetings attended with The number of meetings that each Panel member was eligible to attend is shown in brackets.
Sara Vaughan (Panel Chair)	12 (12)
Phil Hare (Independent Panel Member)	12 (12)
Derek Bunn (Independent Panel Member)	12 (12)
Diane Dowdell (Chair-appointed Industry Panel Member)	11 (12)
Lisa Waters (Industry Panel Member)	11 (12)
Tom Edwards (Industry Panel Member)	12 (12)
Andrew Colley (Industry Panel Member)	12 (12)
Jonathan Coe (Ofgem Representative from June 2023 onwards)	10 (10)
Colin Down (Ofgem Representative until June 2023)	2 (2)
Fungai Madzivadondo (Distribution Network Operator Representative)	11 (11)
Andy Manning (Consumer Panel Member)	4 (12)
Euan Graham (Consumer Panel Member)	9 (12)
Jon Wisdom (NGESO Panel Member until September 2023)	1 (5)
Camille Gilsenan (ESO Panel Member from September 2023 onwards)	7 (7)
Mark Oxby (Industry Panel Member)	11 (12)
Karen Thomson-Lilley (Former ESO Panel Member)	5 (6)
James Nixon (Industry Panel Member, confirmed as an alternate for Michael Robertson from July 2023)	6 (8)
Michael Robertson (Industry Panel Member)	2 (until July 2023)

Operation of the BSC

This section of the report reviews our BSC change activity and summarises the changes that have been raised, progressed or implemented.

Modifications change the BSC itself, and are typically raised by the Panel and BSC Parties. Change Proposals (CPs) are generally raised by Elexon to amend BSC subsidiary documents. Reference to changes here covers both Modifications and Change Proposals.

The following section highlights significant changes that Elexon has been working on over the past year. It does not cover all changes that have been developed or implemented. For more detailed information, [see our Change Register](#).

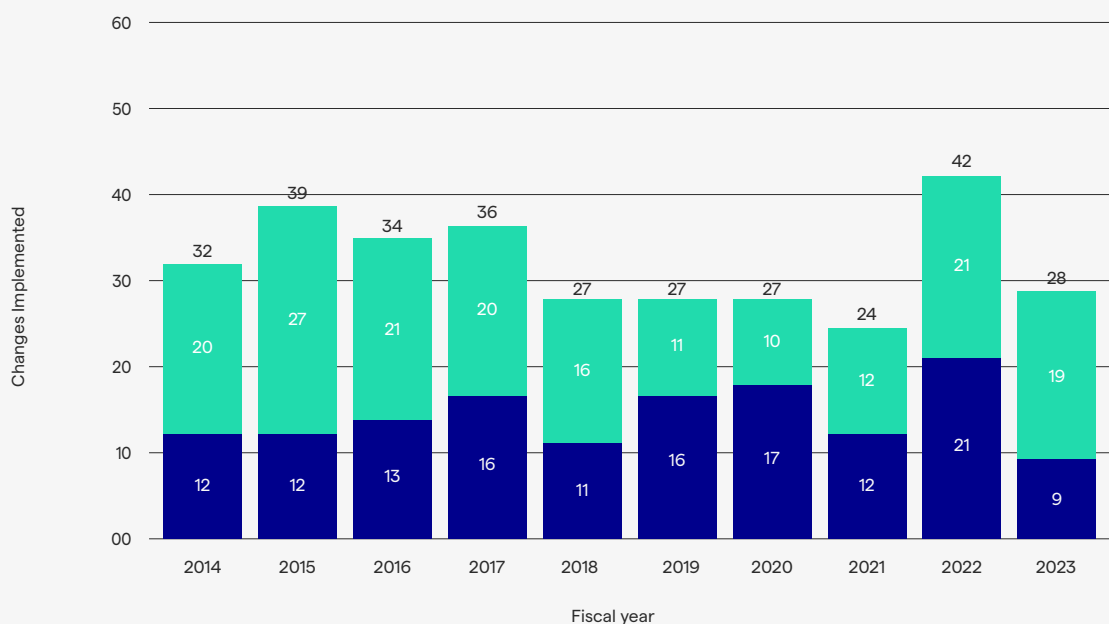
The 2024/25 Elexon business plan provides more detail on changes that are currently being worked on and we have a forward view of [potential BSC changes](#).

Number of BSC changes implemented

During 2023/24 Elexon implemented 28 BSC changes (9 Modifications and 19 Change Proposals), as shown in the graph below. The 42 changes implemented in 2022/23 was the highest since 2009, therefore the 2023/24 total is a return to more typical levels of implementation.

How many changes implemented

● CP's Implemented ● Modifications & Issue meetings



Number of changes raised and number of meetings held

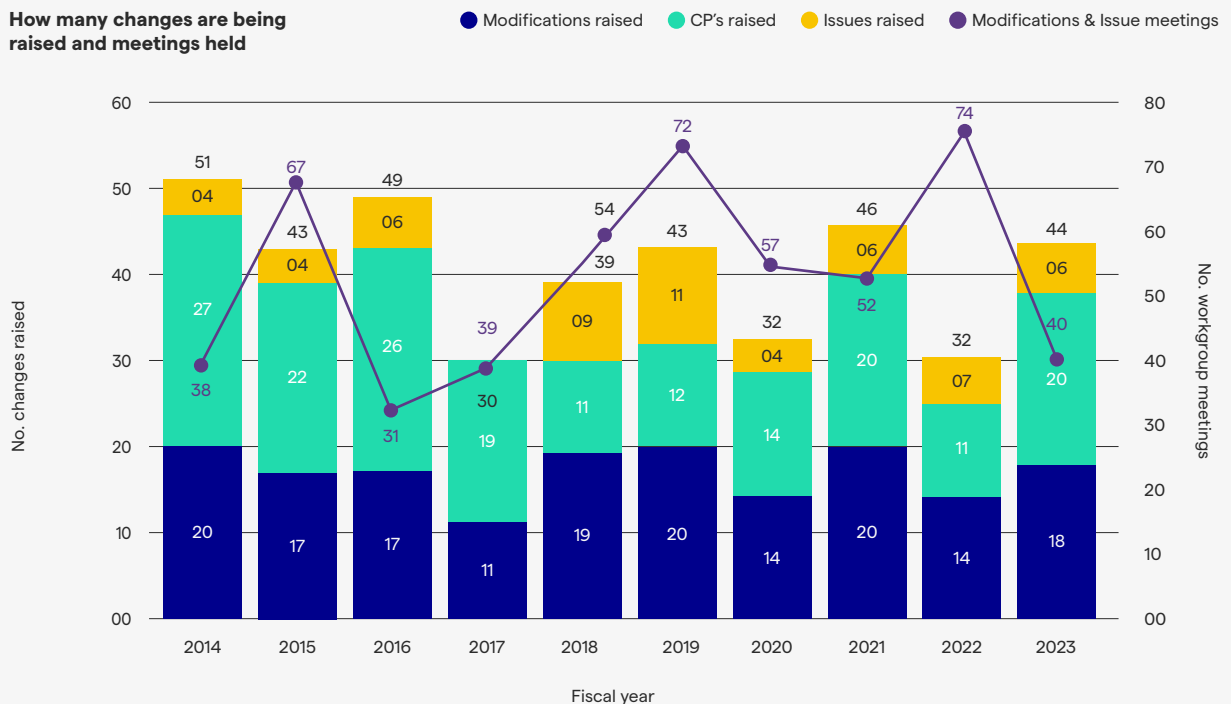
Exelon held 44 Modification and Issue group meetings during 2023/24, a significant drop compared with the 74 meetings held in 22/23. However, the 44 meetings held is more in line with previous years, as the graph below shows.

One reason for the drop in numbers of meetings in 2023/24 was that 10 out of 18 Modifications raised in 2023/23 went directly to the Report Phase (meaning there was no need for Workgroup meetings). This is significantly higher than last year, where only two Modifications went direct to the Report Phase. Section F of the BSC sets the expectation (but not the rule) that Modifications which go directly to the Report Phase would usually be of a minor or inconsequential nature. Five of the 10 Modifications raised in 2023/24 met those criteria. In other cases, Modifications moved directly to the Report Phase for other reasons which included where the proposal had been already been worked up by an Issue Group (meaning that a Workgroup was not needed). Also in some cases it was not possible to form an Issue Group.

10 of the 18 Modifications raised over 2023/24 were raised by the Panel, compared with only three during 2022/23. The Panel can only raise Modifications in certain circumstances. The main one is where they will better facilitate efficient operation and implementation of the BSC. All ten Modifications raised by the Panel met this condition. Four of these were raised to support Exelon’s strategy, particularly the completion of the Kinnect programme. Three were self-evident, or minor changes to maintain the BSC and the rest were raised on behalf of industry, for example P467 ‘Enduring solution for cash out price calculation in the event of a Gas Deficit Emergency (GDE)’, which the Issue 105 ‘Further considerations following implementation of BSC Modification P448’ Workgroup recommend be raised.

There were no urgent Modifications raised during 2023/24, in contrast to 2022/23, when five of the 14 Modifications raised were granted urgent status. The urgency was reflective of the rapid changes needed to help manage the energy crisis.

How many changes are being raised and meetings held



Should the purple line

Extensions necessary for development of Modifications

During 2023/24, nine requests to extend timelines for developing Modifications were made with three of those (relating to P451, P454 and P463) being for quoracy reasons.

The pace of development of BSC changes depends on Elexon being able to maintain quoracy for Modification Workgroups. The BSC quoracy rules are that at least five voting Workgroup members must be present at meetings to be quorate. When Workgroups have less than five members, agenda items can be discussed but no voting can take place on recommendations.

On average across the three quoracy-related extensions for 2023/24, the delay to progress was 2.6 months. In the case of P451, Elexon and the Modification Workgroup members were able to make rapid progress when finally quorate and bring the Assessment Report for the change forward by two months ahead of the extended timetable.

Of the other six extensions, four were driven by external factors. For example, P412 received the largest single extension (of nine months) due to the requirement for NGESO to provide a recommendation report to enable the Modification process to continue. The remaining two extensions, for P442 and P455, were 'contingency extensions' of two months each, for delivering the Assessment Report to a date that had been pre-agreed with the Panel. The decreasing participation in Workgroups and falling numbers of responses to consultations is a concern to the Panel. Elexon and the Panel are working to encourage more industry engagement. This has included Elexon's Operational Support Managers contacting BSC Parties to advertise Workgroups and promoting Workgroups through e-bulletins of other code bodies. The Rules Management team have also contacted previous Workgroup members to promote opportunities to engage in new Workgroups.

Changes that support Net Zero

2023/2024 has been an important year for the development and delivery of BSC changes which support Net Zero.

In November 2023, Ofgem approved the implementation of P415 for implementation in November 2024. This is a major breakthrough towards a smarter, more flexible system as it allows VLPs to trade flexibility offers in the wholesale market itself. Since we opened the Balancing Mechanism (BM) to independent aggregators and created the VLP role in 2019, VLPs have been confined to trading in the BM only.

Alongside P415, we have progressed P444 'Compensation for VLP actions in the BM', which will introduce an associated compensation method for any volumes in the BM that are adjusted by VLPs, subject to Ofgem approval. The P444 alternative proposal was recommended by the Panel for approval by Ofgem in June 2023. Ofgem sent back the change for further analysis and Elexon has been working to finalise this. The analysis will then be presented to the Workgroup, Ofgem and the BSC Panel ahead of returning the final Modification report to Ofgem for decision.

Since the VLP role was created, when a market participant works with a VLP to increase generation, or reduce its consumption (in response to a signal from National Grid ESO), the participant's Supplier will receive details of the 'raw delivered volume'. But when the VLP reports this to Elexon for Settlement the Supplier is unable to see any adjustments to the data as a result of the customer's balancing activity. Under P461 'Accurate Reporting of Customers' Delivered Volumes to Suppliers', data that Elexon reports to Suppliers on delivered volumes will include any adjustments made after VLP balancing activity, so long as consumers consent to sharing this data with the Supplier. Suppliers will then attribute to individual customers any imbalance adjustments. In May 2024, Ofgem sent back P461 as it said it was not able to form an opinion on whether it should be approved. Elexon issued a new consultation asking for views to address Ofgem's requests. These included the need for additional information on the justification for Modification and clear evidence on the impact and benefits of the proposed solution on customers. The revised Modification report was presented to Panel in June 2024 and Panel agreed to recommend to Ofgem that P461 be rejected. The revised report will now go to Ofgem for decision.

Fundamentally, both P444 and P461 are changes that are necessary to ensure that, as we progress to a more flexible system, there is a fair and level playing field for Suppliers, VLPs, consumers and all other participants.

In November 2023 Elexon implemented P395 'Aligning BSC Reporting with EMR Regulations – an enduring solution', which removes barriers for using storage by allowing Registrants (owners of metering systems) to be charged appropriate levies for electricity provided to licensed generators.

Part of EMRS's role is to calculate the Final Consumption Levies (FCL) that recover costs for the Contracts for Difference and Capacity Market schemes. The FCLs are recovered as charges within licensed supply. The Electricity Act 1989 states that electricity supplied by Suppliers to Generators, and Storage operated by Generation licensees should not be subject to FCLs. The joint Government and Ofgem Smart Systems and Flexibility Plan also states that FCLs should not be charged for such imports. Until November 2023, EMRS had been operating a temporary workaround to resolve this issue. The enduring solution brought in by P395 introduces new and amended processes so that the data provided to EMRS will exclude electricity imported by Generators and / or Storage facilities operated by a Generation licensee. This applies to all Supplier Volume Allocation-connected sites and Central Volume Allocation-connected sites with no final demand.

P442 'Reporting chargeable volumes for exempt and licensed supply' was approved by Ofgem in May 2024, and the implementation date is still to be agreed. Currently, there is no process in the BSC to allocate Supplier volumes to EMRS, where a portion should be from exempt supply and another portion should be from licensable supply.

The P442 alternative proposal solves this problem as a new BSC Party Agent role (the Exempt Supply Notification Agent or ESNA for short) would be created. The ESNA would calculate the volumes of licensed and exempt supply, and submit them to BSC Central Systems. This allows exempt supply to be treated correctly in terms of EMR levies. P442 would benefit distributed generation and peer-to-peer trading schemes, as they would no longer be incorrectly charged EMR levies.

Changes which support the completion of Elexon's investment programmes

Two changes raised by the Panel over the past year played a role in supporting the completion stages of Elexon Kinnect (our new platform).

P454 'Removal of BSC obligations to provide BMRS Data via TIBCO and the High Grade Service' resulted in Elexon being able to switch off the TIBCO and High Grade line service to supply BMRS data on 31 March 2024. P454 was raised in April 2023, and developed quickly so that Ofgem could approve it in March, in time for our planned switch off of BMRS in May 2024.



Case Study:

The switching off of the TIBCO and High Grade line service in March 2024 under Modification P454 meant that Elexon avoided the renewal of licences associated with the service.

Elexon’s Analysis and Insights team have worked to help the users of the TIBCO service to transition to using the new Insights Real Time Information Service (IRIS) which gives free, instant updates on all Insights Solution datasets, without the need for expensive hardware or licences.

Elexon had to pass on the majority of the cost of the TIBCO licences to parties, and switching off these legacy services means that Elexon can pass on savings of at least £300,000 per year to Parties.



The Panel raised P466 ‘BSC Section N Modernisation’ in January 2024 to support the introduction of Elexon’s new Funds Administration Agent Service (the FAA). The new FAA is being built on Elexon Kinnect, and it will modernise and improve Elexon’s banking processes for the transfer of Settlement funds between Elexon and Parties. The benefits of the new FAA are increased efficiency and reduced risk of billing errors.

BSC Section N covers rules for the clearing, invoicing and payment of Parties’ Trading Charges and Reconciliation Charges by the FAA. The section was written 20 years ago and therefore updates to the code text are needed to support development of the new FAA. If the change is approved, Elexon plans to implement it in November 2024.

Changes which support Elexon’s strategic objectives:

As mentioned in the Chair’s report, Elexon continues to deliver schemes to support Government and Ofgem policies. In April 2024, Elexon started to administer [a new scheme](#) for around 340 energy intensive industries (EIs) in Great Britain, to compensate them on the cost of network charges on their electricity bills.

Changes to Elexon’s vires were needed through a BSC Modification, P468 ‘Enabling Elexon to support the (currently in draft) Electricity Support Payments and Levy Regulations 2024’ which was raised by the Low Carbon Contracts Company (LCCC) in February 2024. As well as managing the BSC, Elexon is the Settlement Services Provider to the LCCC and the Electricity Settlements Company (ESC).

Changes to Elexon’s vires have previously been needed so that Elexon could deliver other schemes for the Government, and so that Elexon could take on the MHHS implementation manager role. Elexon, the Panel and the LCCC worked quickly to develop P468, and it was approved and implemented in April 2024.

As also mentioned in the Chair’s report, during summer 2024, Elexon’s ownership arrangements will change as it is moving away from the ownership of National Grid ESO to a ‘federated model’ ownership arrangement. Ofgem will introduce licence conditions to enable the 13 largest BSC Parties (those with a greater than two percent funding share in Elexon as of 1 January 2023 – or a delegated licensed party of its choice) to each take a share in Elexon.

Elexon’s rules management team has been supporting this transition process throughout the past year by [consulting on the proposed changes](#) to the code to enable this. The ownership changes will be directed into the BSC, using powers granted under the Energy Act 2023 by Ofgem, or the Secretary of State, as part of the moves to the Future System Operator (FSO).

Both the Panel and Elexon want to speed up the BSC change process so that changes which are less complex and have a lower impact can be delivered more quickly. In November 2023, the Panel raised P463 ‘Introduce a Standard Change process’ to allow ‘pre-approval’ of changes that are low risk, predictable and repeatable. The Panel will make a recommendation to Ofgem on this change in summer 2024. If approved, it would be implemented within five Working Days.

Case Study:

An example of how P463 would speed up change delivery is the addition of new fuel types to generation mix data on the Insights Solution. Change Proposal 1576 added a new interconnector fuel type category to Insights Solution and the BMRS (before it was switched off), for when the new Viking Link became operational at the start of 2024.

This relatively simple change took around seven months, from been raised, through to implementation. However, if P463 is approved, we could add further new data flows from other new interconnectors to the Insights Solution in just weeks, because they are considered routine and predictable.

Supporting security of supply

We continue to support BSC changes which improve security of supply. This includes P451 ‘Updating BSC Black Start provisions and compensation arrangements’, raised by National Grid in March 2023.

The NESO will need to meet the Government’s new Electricity System Restoration Standard by 31 December 2026, and the P451 changes (implemented in April 2024) support this. P454 allows non-BSC Parties to submit claims for payments under the BSC for restoration services, if they negotiate a restoration contract with NESO. These non-BSC Parties could include windfarms, solar farms and storage systems and they are expected to compete for restoration contracts from 2025.

Maintaining energy security while we move to more a flexible system is essential. The implementation of P451 should enhance security of supply as the NESO will have a wider range of providers to choose from when tendering for restoration contractors. An increase in the number of providers could also deliver improved value for these services, as a result of greater competition.

Case Study:

During the past year Elexon has demonstrated its credentials as a proactive code manager by working with the industry to develop proposals for the enduring operation, funding and governance of the Data Integration Platform (DIP). The DIP is a next-generation messaging system which will play an essential role in MHHS as market participants will use it to submit half hourly data for Settlement. Elexon will operate the DIP from March 2025.

The output of the work of the Issue 101 group ‘Ongoing Governance, Funding and Operation of the MHHS DIP by BSCCo’, has been a governance model structured around what Elexon expects the Code Manager model to be, under Ofgem’s plans for licensed code managers. The DIP Manager will have strong lines of accountability to Ofgem, and a Change and Advisory Board to make decisions on changes to governance arrangements that have a material impact. This board will include representatives from all types of DIP users.

Elexon raised Issue 101 in July 2022. Conscious of the demands on industry to engage in the MHHS Programme, Elexon stretched the timescales of the group’s work, to reduce the burden on industry. The Issue group completed in March 2024, with the governance model proposals then being presented to Ofgem. Ofgem raised a Significant Code Review Modification to consult on the governance arrangements in June 2024.



Delivering excellent Settlement services

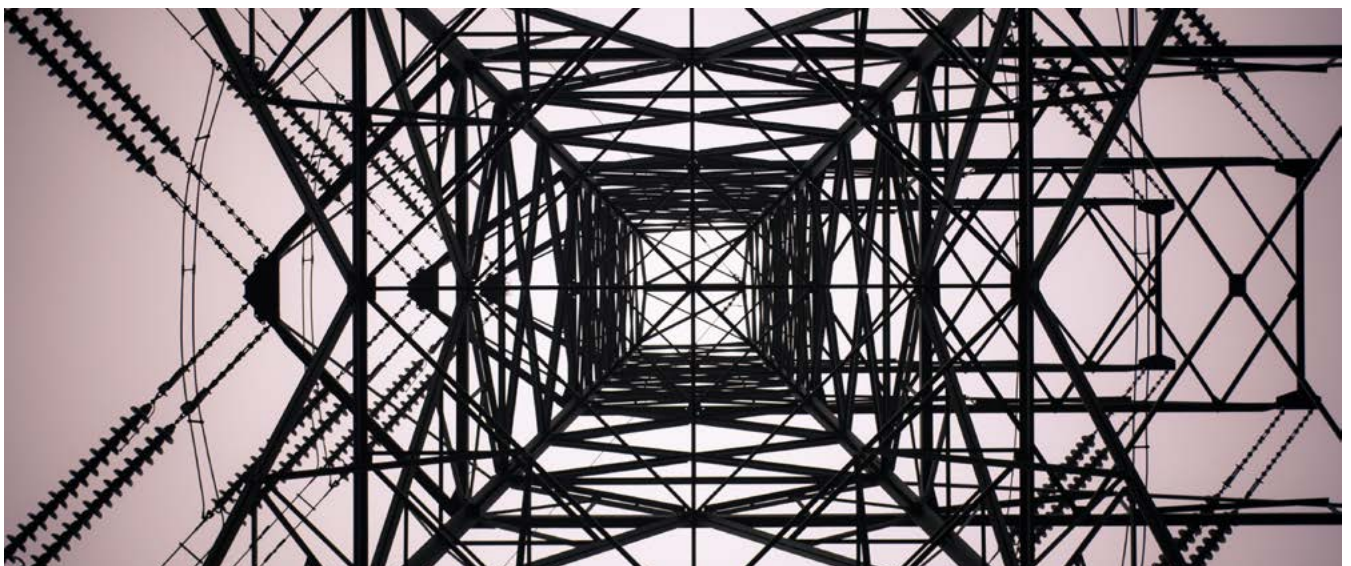
Elexon continues to manage Settlement to high standards. In 2023/24 we carried out 2,545 Settlement Runs compared with 2,638 Settlement Runs in 2022/23. During 2023/24 we managed more than £1.53Bn of credit cover, a similar level to 2022/23. This is more than three times the amount we were managing five years ago in 2018/2019 (£501m). We also processed 4.3m Energy Contract Volume Notifications (ECVNs) in 2023/24 compared with 3.3m in 2022/23. ECVNs are notifications that Parties must provide to Elexon of their contract positions to enable imbalance volumes to be calculated.

Increasing health of the electricity market

We believe that the reason for the increase in ECVNs and the amount of credit cover we have managed is due to the increasing health of the electricity market, with the number of participants rising, allowing for greater flexibility to trade and interact on a greater number of propositions. More credit cover is required for them to undertake these interactions.

Page 3 of the annual report confirms that Elexon helped 70 companies register for new roles in the market. As explained on page 26 of the report, credit cover is the collateral that a BSC Party must lodge with Elexon to ensure that it can pay any Trading Charge debts that it accrues. The Credit Assessment Price (CAP) set by the BSC Credit Committee is a parameter used to calculate the financial value of a party's credit cover.

The CAP moves in line with wholesale prices (which have been falling generally over the past year). This has resulted in an increase in affordability of trading within the market (because Parties have needed less collateral to trade). We believe that this is one of the drivers of the increase in ECVNs.



Delivering excellent Settlement services

(Continued)

Balancing Mechanism Reporting Service (BMRS)

The legacy BMRS was the 'system of record' for our wholesale market data during the period for this annual report. The legacy BMRS was switched off in May 2024, as we have replaced it with the Insights Solution, our new data service which is part of our Kinnect platform.

Most users of Elexon's wholesale market data use Application Programming Interfaces (APIs) to access the data and performing their own analysis. Average daily requests to the legacy BMRS API service increased from 6.9 million in 2022/23 to 8.7 million in 2023/24. The number of individual users has remained the same (90,000) in 2023/24 compared with 2022/23.

BSC Central Systems Availability Performance in 2023/24.

- Elexon delivered over 99.96% availability on its 24/7 core services
- Energy Contract Volume Allocation Agent — 99.96%
- BSC Service Desk — between April 2023 and January 2024 the service desk availability was 97.24%. In January 2024, the service desk was replaced with Elexon Support
- Balancing Mechanism Reporting Agent: Performance was not measured during the reporting year as BMRS has been replaced with the Insights Solution.

Electricity Market Reform Settlement Services (EMRS)

EMRS calculates, collects and distributes payments for the Contracts for Difference and Capacity Market schemes, incentivising investment in a Net Zero economy while maintaining energy security.

EMRS activities are ring-fenced from BSC activities and are conducted via a separate subsidiary of Elexon. The costs of running EMRS are borne by LCCC and ESC and not by BSC Parties. However, because EMRS occupies the same premises as Elexon, EMRS makes a fair contribution to these costs based on headcount. This resulted in LCCC making a contribution of £910.4K to the shared fixed costs in 2023/24, which would otherwise have been borne by BSC Parties.



BSC Audit 2023/24

An external audit of BSC processes is carried out annually to protect the interests of all BSC Parties and consumers. The Audit is split between two distinct areas of work:

- Process Assessment covering Suppliers, Supplier Volume Allocation (SVA) Agents and Central Volume Allocation (CVA) Registrants
- The International Standard on Assurance Engagements (ISAE) (UK) 3000 Opinion, covering Central Systems and CVA Meter Operator Agents (MOAs).

Summary of the Process Assessment Report Findings

The Process Assessment Report highlighted the record high number of findings across audited Performance Assurance Parties (PAPs) last year, driven by challenging market conditions that impacted on UK energy market participants.

With market conditions easing this year, the auditor reported that PAPs have been able to address some of these findings and associated risks. There is a notable increase in awareness of obligations under the BSC, partly due to increased scrutiny through the BSC Audit and other Performance Assurance Techniques (PATs). This is particularly evident in the CVA Registrant and Half Hourly Data Collector (HHDC) roles, leading to a decrease in material findings from 197 last year (2022/23) to 129 in the current year (2023/24). Despite this 35% reduction, the number of material findings, and those with elevated severity, remains historically high.

As MHHS approaches, the transition period presents heightened risks to Settlement accuracy. The auditor reported that a focus shift towards MHHS is likely to reduce compliance efforts on legacy market operations. The Licensed Distribution System Operator (LDSO) role, being the first to transition to MHHS, serves as an early indicator of this trend. While most roles saw a reduction in material findings, the LDSO role experienced a 17% increase compared to the previous year, underscoring the need for close monitoring of PAPs as they approach MHHS milestones, to ensure compliance and manage Settlement risks during this transformational initiative.

The dynamic nature of the BSC Audit scope, with new risk focus areas incorporated annually, has increased scrutiny over certain agents and processes.

This has driven improved awareness and compliance with BSC obligations. The [CVA Registrant](#) role, in scope for the first time last year, showed significant improvement in compliance, with a 44% reduction in material findings in the 2023/24 report. Similarly, the HHDC role's 'Visits to De-energised sites' process, introduced last year, saw a 25% reduction in material findings and a 66% reduction in those rated Medium or High. The targeted deployment of the BSC Audit and other PATs continues to drive compliance and operational improvements across the industry.

Elxon is reviewing the Audit results and compiling a response report to detail follow up actions to the issues and themes identified within the findings. This will be presented to the Performance Assurance Board in the coming months.

A public version of the Process Assessment Report will be made available on [our website](#).

“There is a notable increase in awareness of obligations under the BSC, partly due to increased scrutiny through the BSC Audit and other Performance Assurance Techniques.”

BSC Audit 2022/23

(continued)

Summary of the ISAE (UK) 3000 Opinion Findings

We are pleased to confirm that the assurance opinion was unqualified. The worst-case scenario impact of the findings is less than 0.1 Terawatt Hours (TWh), which is below the 1.1 TWh materiality threshold for the ISAE (UK) 3000 Opinion (Assurance Conclusion). The scope of the ISAE (UK) 3000 Opinion (Assurance Conclusion) for the BSC Audit year 2023/24 remains consistent with previous years. It encompasses the Settlement calculations and allocations performed by the BSC Central Services (Central Systems) and CVA MOAs related to Settlement Runs, processed in the year ending 31 March 2024. The auditor observed a reduction in findings that may impact Settlement across both Central Systems and CVA MOAs. Specifically, the auditor identified seven potentially Settlement-impacting findings across these areas, down from 14 the previous year.

Overall, the auditor reported that Settlement-impacting findings at CVA MOAs had decreased from nine to five, indicating a positive trend. However, non-Settlement impacting findings rose, with Management Letter Points (MLPs) increasing from seven to 18, primarily due to human errors related to BSCP timescales and form accuracy. MLPs are individual findings or observations identified by the auditor during the audit process which are documented and fed back to management.

Five material findings from the previous year were reclassified as immaterial, suggesting a better understanding of Balancing and Settlement Code Procedures (BSCP) policies, but ongoing challenges with deadlines and data accuracy. Further on, most PAPs still face issues due to the remote nature of CVA sites and the complexity of BSC processes.

For Central Systems, Settlement-impacting findings decreased from five to two, attributed to the closure and reclassification of findings and the identification of only one new issue. However, 10 open MLPs still require attention, with some needing system fixes and others requiring policy changes. The auditor suggested that the focus should be on policy updates and system improvements to resolve these findings.

Additionally, the successful closure of Settlement Administration Agent (SAA) findings post-migration in early 2023 demonstrates effective market control during significant system changes. Although not in scope for the BSC Audit work, the BSC Audit reports should be read in conjunction with the Technical Assurance Agent (TAA) report (which follows on the next page) and outlines other errors caused by issues with physical metering.

A public version of the ISAE (UK) 3000 Opinion will be made available on [our website](#).



Technical Assurance of Metering

On behalf of Elexon, in its role as the Technical Assurance Agent (TAA), the energy services company C&C Group provides the Technical Assurance of Metering (TAM) Service.

Following on from the large increase in on-site inspections during 2022/2023, where the TAA completed over 300 Central Volume Allocation (CVA) site visits, the Performance Assurance Board (PAB) agreed to drop the level of CVA visits for a broader approach, focusing on assessing the effectiveness of Desktop Audits, offshore wind sites, and sites where metering equipment has been installed or commissioned during the 2022/23 audit year.

Highlights 2023/24 Audit Year:

Seven offshore wind sites were visited, which comprised approximately 30% of total metered volumes for offshore wind, based on the latest available annual data at the time the audits were planned. 63 CVA sites were visited where Metering Equipment was installed or commissioned during the 2022/23 audit year, and 42 CVA sites were visited which were left over from previous audit years. All CVA samples produced zero Category 1 Non-Compliances (the most serious non-compliance that the TAA can assign).

A Supplier Volume Allocation (SVA) specific sample made up of 47 sites that were recommended for an Inspection Visit following a Desktop Audit, produced a Category 1 Non-Compliance rate of 20% against the completed visits.

This specific sample allowed Elexon, for the first time, to facilitate statistical comparisons between instances of non-compliance across both types of audit. It also helped to establish the effectiveness of Desktop Audits in detecting material onsite non-compliances.

Each of the SVA Category 1 Non-Compliances raised during the 2023/24 audit year is currently at a different stage in the Trading Disputes process. The combined estimated impact is a Settlement error of £213,000.

Lastly, Elexon developed a new data analysis tool called the TAM Obligation Dashboard, presented at Performance Assurance Board meeting [274](#). The dashboard has mapped TAA Non-Compliances against BSC Obligations, providing Elexon with the opportunity to analyse historic TAA data against the BSC Obligations. The insights Elexon gained from the TAM Obligation Dashboard helped to produce the 2024/25 TAA audit scope, and may also inform decisions to deploy further Detective Techniques such as the BSC Audit, Assurance Information Request (AIR), or Technical Assurance of Performance Assurance Parties (TAPAP). These techniques establish what remedial action is best placed to resolve and reduce the instance of a given non-compliance.



Review against the annual budget

In March 2023, Elexon published the Business Plan for 2023/24 with an approved budget of £107.7m to deliver all Elexon activity, including that for the Helix and MHHS Programmes. Due to the continuing complexity of delivery of the Helix Programme and the agreed re-plan of the MHHS Programme, a reassessment of the 2023/24 budget was undertaken to address additional funding requirements. This assessment highlighted additional costs of £2.2m on the MHHS Programme and £7.2m on the Helix Programme.

As a result of rigorous cost control and increased efficiencies across the business, the Helix overrun was largely offset by £5.7m of aggregated savings identified in other areas of the business. Consequently, the budget was increased by £3.7m (3.4%), resulting in an amended budget of £111.4m for 2023/24. Of the £3.7m increase, £1.5m was attributable to Helix, and the remaining £2.2m to MHHS. Elexon consulted Parties on the amendment to the 2023/24 budget in November 2023. Having considered the responses, Elexon's Board approved the amended 2023/24 budget on 6 December 2023.

Elexon ultimately delivered and reported a total actual spend for the year of £110.0m, which was £1.4m (1.3%) below the amended budget as summarised in the table below.



	Year to March 2023/24 Original Budget £m	Year to March 2023/24 Amended Budget £m	Year to March 2023/24 Actuals £m	Variance to March 2023/24 Amended Budget £m	Variance to March 2023/24 Amended Budget %
Elexon BAU Operational incl EMR Income	22.3	20.9	19.8	1.1	5%
Contracted	21.2	21.0	20.5	0.5	2%
Total BSC Regular Activity excl. project resource	43.5	41.9	40.3	1.6	4%
Demand Led and Digitalisation Contracted	21.7	17.5	17.2	0.3	1%
Teleswitch (pass through from DNOs)	4.9	5.0	5.0	0.0	0%
TOTAL EXCL. MHHS & HELIX	70.1	64.4	62.5	1.9	3%
Helix	17.8	25.0	25.8	(0.8)	-3%
MHHS	19.8	22.0	21.7	0.3	1%
TOTAL ELEXON	107.7	111.4	110.0	1.4	1%

Review against the annual budget

(Continued)

Operational Savings

The cost of Elexon's regular, controllable activities decreased by £3.2m for the year, £1.6m against the original budget (contributing to the partial offset against the Helix overrun prior to the budget amendment), and a further £1.6m against the amended budget. These are savings on BAU operational costs which relate to headcount, occupancy, facilities, consultancy and legal support. Also included were savings of £0.5m against the amended budget for BSC contracted costs.

Demand Led and Digitalisation

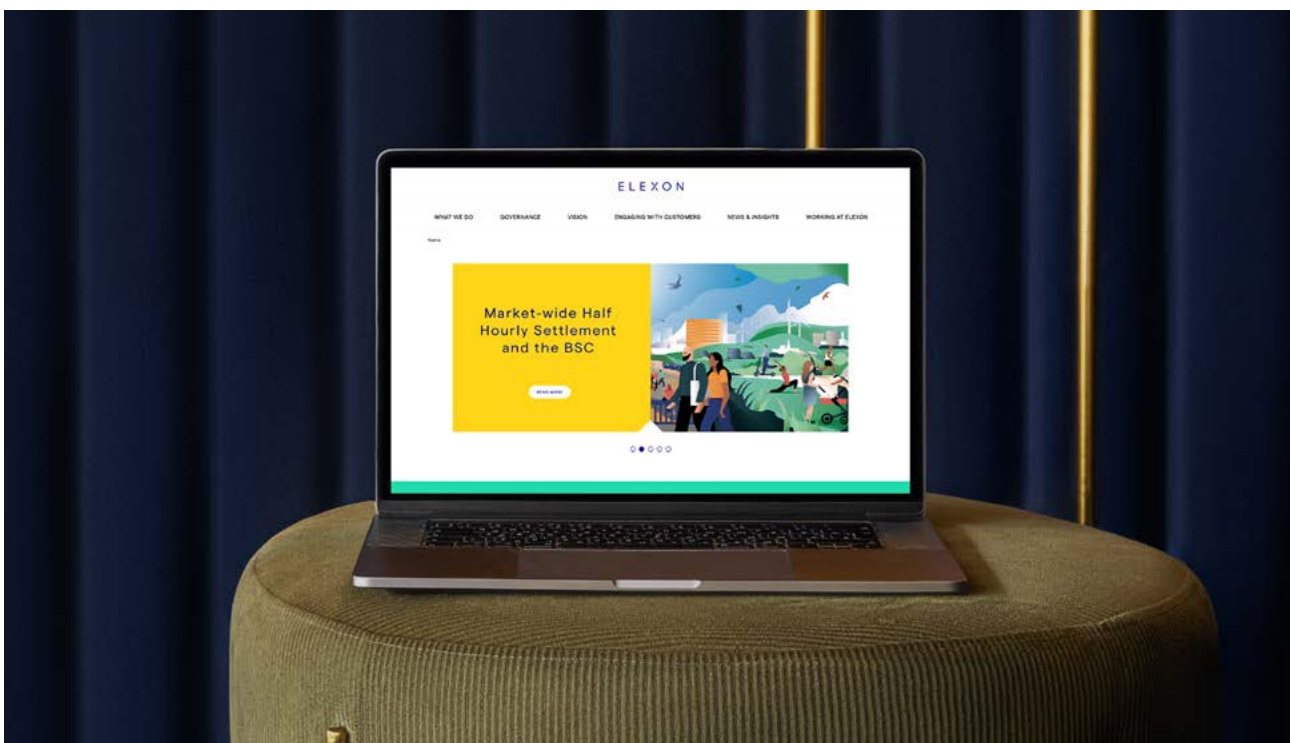
Significant savings (£4.2m) were realised in Demand Led and Digitalisation, including those related to Corporate Strategy Funding and overall System Strategy.

Helix Programme

The Helix Programme budget increased by £7.2m in the year, to an amended budget of £25.0m for 2023/24. The Helix Programme entered the year 2023/2024 with an expectation of completing the development of core functionality in the first half of that year. Consequently, upon the June 2023 re-plan of the MHHS Programme being approved by industry participants and Ofgem, the Helix Programme was, and continues to be, impacted by the following:

- Overall change in the MHHS end completion date for having fully cut over to the new Settlement timetable of December 2026, instead of the previous November 2025
- Late emerging requirements from the Programme, leading to certain rework of already completed development.

Total outturn for the year on the Helix Programme was £25.8m, £0.8m over the amended budget for 2023/24. The additional overrun was attributed in part to the Legacy Development & Service transition effort, initially budgeted for in 2024/25, being brought forward. The savings used to offset the overrun were identified mainly within BSC Regular Activity.



Review against the annual budget

(Continued)

MHHS Programme

The MHHS Programme saw an in-year increase in budget of £2.2m, to an amended budget of £22.0m for 2023/24 due to a re-plan and extension of the programme's timeline, as well as a positive increase in the number of participants volunteering for the early phase of industry testing.

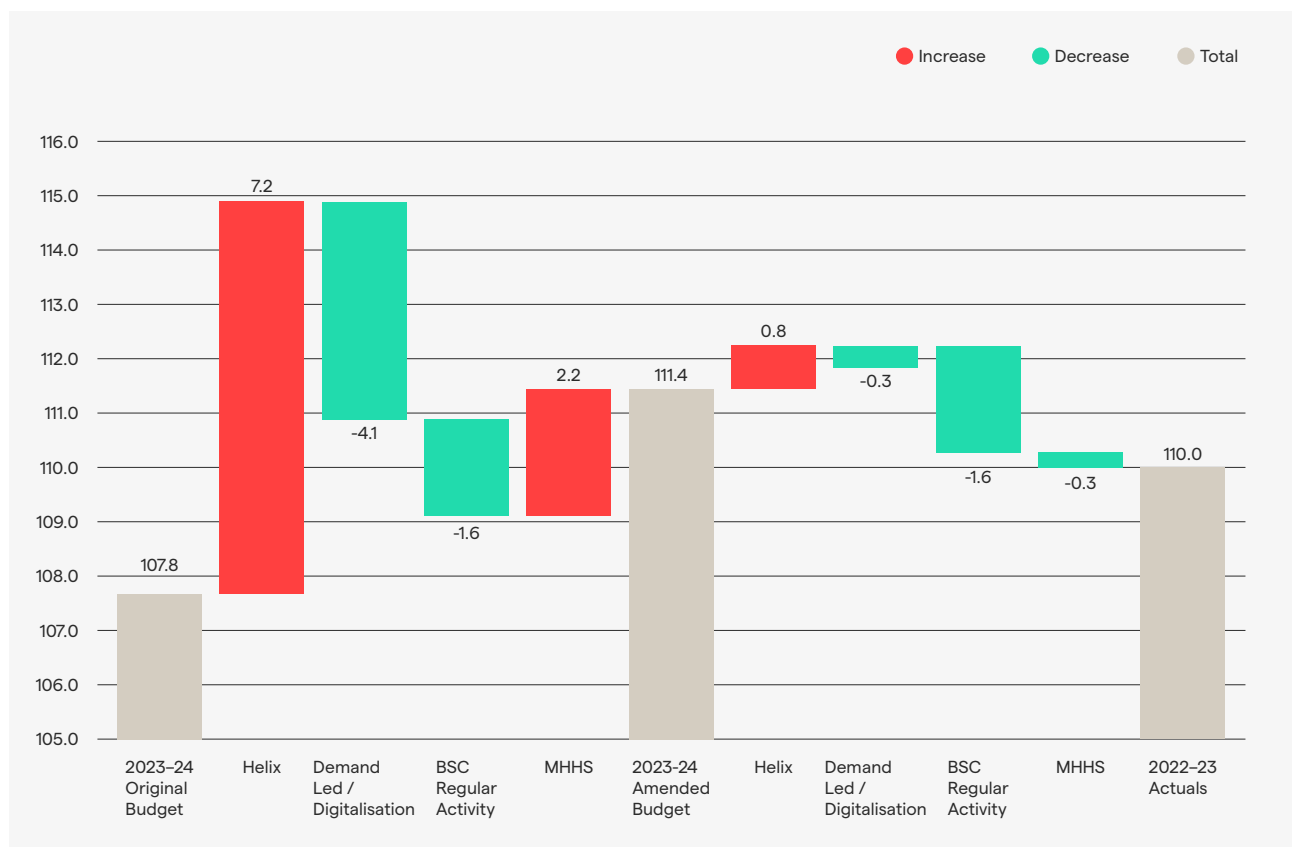
Total expenditure for the year was £21.7m, £0.3m below the amended budget, due to contract-related savings. The MHHS Programme continues to collaborate across industry to ensure adherence to the current plan and the delivery of benefits to energy companies and consumers, with migration of metering systems to MHHS starting from April 2025.

Industry testing commenced in accordance with the plan in October 2023, and remaining priorities of the programme include:

- Integrating the testing between all programme participants, including Helix and the Data Integration Platform
- Planning and executing qualification testing and migration
- Completing readiness activities to enable transition to the new settlement timetable.

Return of the unused BSC budget to Parties

As Elexon is a not-for-profit organisation and it does not carry any reserves or retained capital, Elexon's costs and interest charges are exactly matched by turnover for the year. Consequently, a credit based on the final audited costs of £1.4m for the 2023/24 financial year will be returned to BSC Trading Parties in August 2024. The graph below illustrates the factors contributing to variances against the 2023/24 annual budget.



Committee Summaries

Credit Committee

Parties are required to lodge credit cover to trade under the BSC rules. Credit cover is collateral lodged by Parties to cover payments required to settle imbalances. It acts as a security deposit, which reduces the risk that other Parties face if a company cannot pay its imbalance charges.

The Credit Committee is responsible for all matters under the BSC that relate to the Credit Assessment Price (CAP). The CAP is a parameter used to convert actual energy indebtedness and the credit cover lodged by a BSC Party into an equivalent megawatt hour (MWh) amount. Prior to November 2021, adjusting the CAP took on average a month at a time.

Between 1 April 2023 and 31 March 2024 the CAP was adjusted 13 times, by the Credit Committee, using a [dynamic change process](#). The CAP varied during 2023/24 from £62/MWh to £125/MWh. The peak of £125/MWh was a significant reduction from the record level of £415/MWh in September 2022. The dynamic adjustment process continues to demonstrate how Panel members and industry experts collaborate to ensure that the CAP is no higher than it needs to be at any one time, to cover Parties' energy indebtedness – and no lower than it needs to be to protect Parties from others' potential failure.



Imbalance Settlement Group (ISG)

The [Imbalance Settlement Group](#) (ISG) oversees and helps to develop the Central Volume Allocation Arrangements.

Credit Assessment Load Factor appeals

Throughout 2023/24, the ISG has approved 16 [Credit Assessment Load Factor](#) (CALF) appeals. The calculation process relies on historical data from the previous equivalent BSC Season. Where the Lead Party of a Primary Balancing Mechanism Unit (BMU) considers this inappropriate, it can request alternative CALF values.

This appeal process is important to Parties where:

- Sites within the relevant BMU have changed
- Sites have only recently started to operate
- The way that a particular site (or sites within the BMU) operates has changed. For example, sites with combined heat and power plants where electricity is generated as a by-product and the site operation increases that level of generation.

Case Study:

Elxon implemented CP1575 'Permitting the use of busbar voltage transformers within metering Codes of Practice 1 and 2' in November 2023. It is primarily aimed at offshore wind farms that were experiencing an issue meeting the conditions of a CfD that had a phased agreement (where the facility is built in stages and the metering arrangements must identify the output of each phase).

In some cases this required metering at turbine string level (individual groups of turbines in an array) rather than at power park module level (the entire array of turbines in a development). This increase in the number of Metering Systems resulted in a significant cost increase with the additional space required for the metering, increasing the footprint of the offshore substation. This CP reduced developer costs significantly, by reducing the number of voltage transformers required, while maintaining the controls necessary to maintain the integrity of Settlement.

ISG has a key role in the efficient discharge of the process for the alternative CALF values. The ISG must make sure that where alternative CALF values are approved, they are available for Settlement purposes prior to the start of the next BSC Season.

Improved Code Subsidiary documents

The ISG has approved nine Change Proposals (CPs) in 2023/24. These have been to facilitate process improvements in the BSC Code Subsidiary Documents (CSDs) for the benefit of industry. The CSDs include procedures, codes of practice and data catalogues which support BSC governance. The highlights have included steps to reduce costs for developers of low carbon generation facilities, and simplifying existing processes.

Metering Dispensations

During 2023/24 the ISG approved 12 Metering Dispensations from the relevant BSC Metering Code of Practice. The highlights have been those designed to support industry developing co-located sites (e.g. intermittent renewable generation co-located with a battery energy storage unit), or re-purpose existing sites (e.g. where the original generating unit has been de-commissioned). This type of dispensation from the BSC allows Parties and developers to manage their sites more effectively and be compliant with support schemes such as CfDs.



Performance Assurance Board (PAB)

The [PAB](#) is responsible for the efficient, equitable and accurate allocation of energy between Suppliers. It undertakes a number of activities so that this is achieved, primarily through the deployment of the Performance Assurance Framework (PAF). The PAF consists of 17 Performance Assurance Techniques (PATs) – a variety of tools to allow prevention, detection and resolution of non-compliances or potential issues.

In February 2023, [Modification P427 ‘Publication of Performance Assurance Parties’](#) was implemented. This revised the scope of the Peer Comparison PAT, allowing Elexon to publish Settlement data of Performance Assurance Parties either via regular league tables, or through notifications to industry.

Improved transparency for Settlement performance

Throughout the 2023/24 BSC Year, the league tables have been published on the Elexon website and updated on a monthly basis. This gives greater transparency to industry and provides encouragement for Parties to improve performance by allowing them to understand how they compare to peers or potential challengers.

In November 2023, the PAB recommended to the BSC Panel the publishing of information about Octopus Energy Limited’s (MRCY) accountability for a Settlement Error with a significant estimated material impact. The BSC Panel approved this and the notification was published in December. This triggered significant discussion, with a number of Parties contacting Elexon to understand more about the issue, and to find out if they were subject to any similar investigations. The PAB noted that this increased engagement was positive and that it highlights the importance of good Settlement performance to the industry.

Escalation of Parties to PAB for significant under-performance

If a Party is failing to meet its Settlement Performance Standards obligations, the PAB can initiate the Error and Failure (EFR) process. The Party then must provide an action plan detailing how it will return to a compliant status. The EFR plan is monitored by Elexon and the PAB and, should the Party miss the expected milestones, the PAB can choose to escalate and ask the Party to attend a PAB meeting to explain why the plan has failed.

After pausing these escalations since 2020 due to the impacts of COVID-19 on Parties’ ability to meet the standards, the PAB resumed the process in 2023/24. The PAB has worked with Elexon to understand the current issues Parties are facing, but also continuously reiterated that it is the Party’s responsibility to overcome those issues and meet all the BSC obligations.

“Throughout the 2023/24 BSC Year, the league tables have been published on the Elexon website and updated on a monthly basis. This gives greater transparency to industry and provides encouragement for Parties to improve performance by allowing them to understand how they compare to peers or potential challengers.”

Performance Assurance Board (PAB)

(Continued)

Case Study:

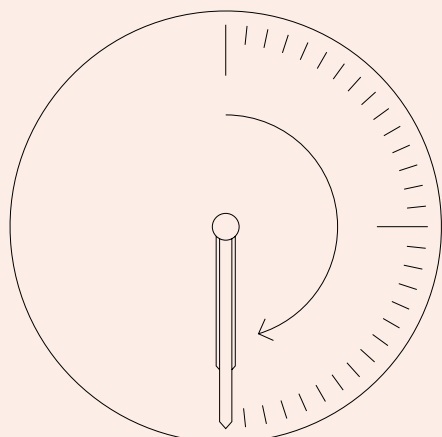
Since September 2023, six Parties have been escalated and asked to attend a PAB meeting, predominantly for failing to meet the obligations to settle 97% or 99% of energy on actual meter reads in the Non Half-Hourly or Half Hourly markets, respectively.

These Parties have presented the PAB with outlines of the issues they are facing and a proposed set of milestones to return to a compliant position. In some instances, the PAB's view was that the approaches were not ambitious enough and so it subsequently asked the Party to return with a more challenging plan.

An example of areas Parties have addressed as part of these plans include:

- Enhancements to processes or systems
- Strengthening relationships and contracts with Supplier Agents
- Educating their colleagues on the impacts of poor Settlement performance
- Embedding certain concepts in customer service and sales teams.

The PAB will continue to escalate Parties it believes are not providing appropriate commitment to meeting the required standards.



Preparing for MHHS

The PAB has also been working on understanding the adaptations to the PAF that will be needed to provide assurance for the MHHS models.

This work has examined both the transitional models (i.e. from the start of migration in March 2025 until the completion of migration in October 2026) and the enduring marketplace following the cut over to the new Settlement timetable in December 2026.

To support this, the PAB held a MHHS Strategy Day in February 2024, during which each of the existing PATs was discussed, to agree an approach for alterations, or priorities and timelines. This work will continue into the 2024/25 BSC Year, to review and implement these changes.



Supplier Volume Allocation Group (SVG)

The [Supplier Volume Allocation \(SVA\) Group](#) is responsible for overseeing the operation of the Supplier Volume Allocation processes and systems.

The role of the SVG includes:

- Overseeing the change management of SVA documents, processes and systems that are defined in the BSC Baseline Statement as being the responsibility of the Committee
- Reviewing, considering, recommending and approving the requirements definition documents for any relevant development projects
- Considering changes to the [SVA Line Loss Factors](#) (in accordance with BSCP128) and Market Domain Data (in accordance with BSCP509)
- Authorising the allocation of Grid Supply Points (GSPs) to GSP Groups;
- Considering changes to any other SVA parameters for which the Panel has delegated such responsibility
- Determining applications that have been delegated to the Committee by the Panel.

A regular part of the SVG's work is the monthly approval of MDD Change Requests prior to publication. The SVG's approval comes at the end of the monthly MDD release process, following validation by Elexon and impact assessment by the Supplier Volume Allocation Agent (SVAA) and Market Participants. A fast track change request for housekeeping changes and new participant registrations runs alongside the more detailed General MDD Change Request process.

Assessment and approval of Metering Dispensations and exempt supply applications are other regular items on the SVG's agenda. During 2023/24, the SVG approved four Metering Dispensations and six exempt supply applications. The Committee also approved four Central Management Systems for use in unmetered supplies. These included systems which providing remote dynamic street lighting control, allowing for street lighting to be managed, monitored and controlled remotely. The benefits of this include greater energy efficiency.

In addition, the SVG approved a number of Change Proposals impacting the SVA arrangements. One, which it approved in conjunction with the ISG, was CP1584, which introduced the ability for non-BSC Parties to raise Change Proposals and also added the concept of a Change Proposal withdrawal process to the BSC Change arrangements.

Trading Disputes Committee

The Trading Disputes process allows BSC Parties to amend Settlement to take account of issues that have come to light, and which affect Trading Charges.

During 2023/24, 74 disputes were raised and closed, the same number as in 2022/23.

The Trading Disputes Committee upheld 42 of the Trading Disputes raised in 2023/24. The total error corrected through the Trading Dispute process was approximately £4.1 million. All Trading Disputes were resolved by the Trading Disputes Committee. No disputes were escalated to the BSC Panel.

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