

ELEXON

ELEXON LIMITED

Annual Report and Financial Statements

Company registration number: 03782949

Public

31 March 2024

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Officers and Professional Advisors

Directors

Sara Vaughan	(Chair)
Simon McCalla	(Chief Executive Officer, resigned 4 September 2023)
Peter Stanley	(Chief Executive Officer, appointed 1 October 2023)
Clare Duffy	(Non-executive, resigned 31 October 2023)
Devrim Celal	(Non-executive, appointed 1 November 2023)
Anne Heal	(Non-executive)
Tim Fitzpatrick	(Non-executive)
David Titterton	(Non-executive)
Ian Graves	(Non-executive)
Yasmin Mouse	(Executive, resigned 30 September 2023)

Company Secretary

Nicholas Brown

Registered Office

4th Floor
350 Euston Road
London NW1 3AW

Bankers

Barclays Bank plc
1 Churchill Place
London E14 5HP

Auditor

BDO LLP
Chartered Accountants and Statutory Auditor
54 Baker Street
London
W1U 7EU

Report from the Chair and Chief Executive Officer

Report from the Chair



The changing energy landscape

This time last year I was writing to you eight months into my new position as Elexon's Chair, so it feels right to now reflect on my first full year in the role. It's been an exciting time to be part of Elexon, particularly given the changing energy landscape and opportunities it presents, but it's important to note that this year has remained a difficult one for our customers with the continuing cost of living crisis.

The creation of a National Energy System Operator led to a final decision on Elexon's ownership. We are 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.

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 Insights Solution, the Data Integration Platform (DIP) and the Helix Programme being clear examples.

Last year we helped to shape Ofgem's thinking using our expertise in opening up markets to flexibility providers. We contributed to Ofgem's proposed reforms around the future of local energy institutions and governance and distributed flexibility, always keeping the benefit to industry in mind, and, following industry endorsement, are now being considered for the role of Market Facilitator.

We are pleased to see the Review of Electricity Market Arrangements (REMA) programme moving to its next phase, with the issue of a new consultation under which the number of potential market design options has been further reduced. The Department for Energy Security and Net Zero has spent a lot of time engaging with the industry and other stakeholders and 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 to ensure that its processes and systems are able to respond to implementation of the changes coming from REMA and other policy and regulatory initiatives.

Changes to the Board

The energy sector is clearly evolving, and so too is Elexon, as this year has also seen changes to the 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 Board. Devrim brings over 20 years of experience in leadership positions across a variety of industries and sectors delivering innovative solutions. Peter joined the Board as Elexon's CEO and a Board member in October, building on the in-depth experience he had already brought as an Executive team member over a number of years. His leadership skills, deep understanding of the industry, and background in and knowledge of technology, data and digitalisation provide a combination of skills that will enable Elexon to deliver on our strategic goals.

And, of course, I'd also like to thank the enduring members of the Board, who form a strong and experienced team, for their continuing support.

Re-focusing our strategy

Events this year presented an opportunity for Elexon to strengthen and re-focus its strategic goals to ensure we are fulfilling our purpose of serving at the heart of the energy industry, building a path to net zero. The ambitious updated Elexon strategic vision and six key areas of focus under Peter's leadership give the Board confidence over the strategic direction and delivery of the Company.

We have built on our previous strategy, strengthening our focus on data and digitalisation and leveraging the investment we have made on this so far through key programmes like Kinnect. Our strategic goals have been

designed to help us move forward with the tide of change within the broader industry, where we are proud to have been at the forefront. You'll hear more detail on the work we're doing to achieve these in Peter's introduction.

Working towards a more flexible system

Elexon has done much to help facilitate a greater role for distributed flexibility in the Balancing Mechanism and wholesale market, including in 2023/24.

Distributed flexibility will play an increasingly valuable role in the future energy system, it is a critical enabler in achieving net zero in the power sector by 2035, and 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 big part in making those markets work effectively, delivering the benefits for industry.

As a sector, we must ensure customers who are more vulnerable are not unfairly impacted as flexibility markets develop. Fair distribution of the cost and benefits of the energy transition is integral to its success. The Market Facilitator will also play a crucial role in achieving net zero, responsible for aligning transmission and distribution markets and further joining up existing flexibility markets.

Market-wide Half-Hourly Settlement (MHHS) will help us to digitalise the sector

It's been an important year for progressing MHHS. As a programme participant Elexon is delivering the new Helix solutions, and we've made big strides forward in developing our systems and processes in readiness for the changes that Half Hourly settlement will bring.

As custodian of the largest data sets available on the wholesale electricity market, Elexon is already a key player in data provision for the industry. This dataset is due to grow with the introduction of MHHS, and, with more granular data available, there is greater opportunity for flexibility. Elexon remains committed to developing our data and digitalisation capabilities further, allowing us to continue to play an important role in the digitalisation of our sector while providing valuable data insights to industry on an even larger scale.

Becoming a licensed code manager

Ofgem's recent publications on the energy code governance reforms provide greater clarity for industry, which is positive. 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 in shaping the new regime.

We believe that we already embody much of what is expected of the licensed code manager role, and I was pleased to see our BSC Panel referenced directly in relation to the proposed Stakeholder Advisory Forum role in Ofgem's Energy Code Reform Implementation Consultation.

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 smoothly as possible, so that we can get on with delivering what they, and other BSC stakeholders, expect of us.

Report from the Chief Executive Officer



Evolving our strategic goals

Last year we announced our new strategy, outlining our strategic goals. We've made major progress on these and have refined them for year two of the strategy cycle, to meet evolving market needs. The focus of our strategy is to:

- Build our performance culture
- Deliver value for money
- Unify our customer experience
- Transform code management
- Provide data as a service
- Implement Market-wide Half-Hourly Settlement

Our purpose: serving at the heart of the energy industry, building a path to net zero, remains.

Focusing on data and digitalisation

Data and digitalisation have become a more explicit strategic priority for both Elexon and the wider industry. Elexon will publish our Digitalisation Strategy and Action Plan this summer, unifying our current data initiatives under one common objective: providing data as a service.

Our digital strategy will encompass not just internal transformation, but also industry leadership. We will define a clear approach for data sharing and governance, fostering greater interoperability across the energy sector. We will also focus on our Kinnect platform's ongoing evolution, ensuring easy access to smart meter data with the launch of MHHS.

This data will be a valuable asset, not just for Elexon but for wider industry initiatives, including the development of advanced "digital twin" technologies that can model and optimise the energy grid.

Over the past year we've made excellent progress on the completion phase of Kinnect. In May we switched off all endpoints of the Balancing Mechanism Reporting Service (BMRS) and moved over to providing data exclusively through the Insights Solution, our digital market-transparency platform. We have dedicated a huge amount of time working with customers to achieving this final milestone, and it's great to see them now enjoying the benefits of the new and improved service.

We're also on target to complete the migration of all remaining BSC agent services, including the Energy Contract Volume Allocation Agent, Central Data Collection Agent and Funds Administration Agent to the Kinnect cloud by October 2024, when we switch off the remaining legacy systems. An important area of focus is ensuring that we can provide Metering Point Administration Number level Half Hourly data to the sector to support innovation – and have built a central Half Hourly meter data repository as part of our Helix Programme.

This year we will further develop our Digital Code, improving search functionality to support accessibility and provide a consistent and seamless customer experience. This will radically simplify the document, change management processes and incorporate artificial intelligence.

Improving service for our customers

In early 2024 our customers completed Elexon's annual survey. Results show that our customers support our ongoing digitalisation programme, and it's clear that service expectations are increasing, with value for money a key focus too. Customers also asked for increased support on MHHS over the next 12 months, and this is reflected in Half Hourly Settlement being one of our six strategic goals.

We continue to improve our customer offering to deliver more value for money and enable BSC Parties to make decisions more efficiently. Earlier this year we launched Elexon Support, a centralised, digital service where our customers can submit queries and track their progress.

Looking forward, offering a more unified and seamless customer experience, through an open and collaborative process, to better meet the growing needs of our customers, will be a key priority.

Preparing for Half Hourly go-live

The MHHS and Helix Programmes have made significant progress this year. In October 2023, MHHS entered the Component Integration Testing (CIT) phase of the wider System Integration Testing (SIT), which will qualify a select number of Parties ahead of go-live in March 2025. These Parties will be the first to migrate their meter points over to the new Half-Hourly approach.

We must re-qualify every single market participant to operate under Half Hourly rules. This is a huge collaborative effort involving our assurance team, the MHHS Programme and the Retail Energy Code Company. Bringing the whole industry across to MHHS is critical for the future of the sector, so it's pleasing to see how well industry members are committed to the delivery of this critical initiative.

MHHS will fundamentally change our industry, impacting everything from Settlement calendars to the granularity of data and insights we provide our customers, and the delivery of it is a huge challenge.

In 2023/24 we completed key phases of the DIP design and build, the next-generation messaging system which market participants will use for submitting Half Hourly data to Elexon for Settlement. Our progress enables the solution to support wider industry connectivity testing, and together with the MHHS SIT phase of the programme, will ensure that the DIP can effectively support the flow of Half Hourly data to our Kinnect platform.

Through our continued work on the Helix Programme we have developed a new suite of services to deliver the functionality required for MHHS. This major piece of work represents the largest set of changes to BSC Central Systems since our inception.

We will support all participants throughout the ongoing migration between March 2025 and September 2026.

Opening up more flexible markets

Turning flexibility into a reality for all requires widespread commitment across the sector, alongside new policy.

Elexon is committed to flexibility, and our work on BSC Modification P415, which we'll implement in November 2024, demonstrates this. This landmark Modification will enable Virtual Lead Parties (VLPs) to trade in the wholesale market on behalf of their customers, providing greater flexibility to consumers. This was an important step forwards in opening up flexibility within the wholesale market, making it easier for consumers to participate.

We have built market design and governance expertise in this area, and over the last five years have helped 15 VLPs enter the market. During Ofgem's consultation period on the Market Facilitator role, we collaborated with around 50 stakeholders to understand the extent of the issues in establishing local flexibility markets and provide tangible and pragmatic solutions for Ofgem and industry.

Supporting an evolving industry

In February 2024 the Secretary of State directed a change to the BSC enabling our subsidiary Electricity Market Reform Settlement (EMRS) to provide the new Nuclear RAB Settlement Services. The construction of more low-carbon generation is critical for net zero, and Elexon will play a key role in supporting the development of new nuclear plants, including Sizewell C. We have significant experience in successfully delivering similar support schemes such as the Contracts for Difference (CfD) and Capacity Market schemes, through EMRS, since 2015.

In April, Elexon began administering a new scheme for around 340 energy intensive industries (EIIs) in Great Britain, to compensate them for the cost of network charges on their electricity bills. The scheme is one of three measures that have been introduced under the Government's British Industry Supercharger scheme, which aims to further increase the competitiveness of British companies in Europe and support development of the green economy in the UK. Elexon is playing a key role in the Government's plans to support investment in a low carbon future.

We are pleased to be playing an increasing role as a trusted delivery partner for Government. This scheme complements the roles we already play in calculating, collecting and distributing payments for the Contracts for Difference and Capacity Market schemes, incentivising investment in a net zero economy while maintaining energy security.

Investing in our people

Our people are at the heart of everything Elexon does. We proactively seek to ensure our Employee Value Proposition remains attractive to our current colleagues and those looking to work for us in the future.

We're committed to retaining and building on the skills and capabilities of our people to deliver value to industry, which is closely linked to our growth in data and digitalisation. This includes training and a number of secondments to help colleagues develop, as well as cross-departmental internal transfers and promotions.

Building on the success of last year, we continue our work this year to embed Equality, Diversity and Inclusion at Elexon, embracing differences and listening to all voices.

Sara Vaughan

Chair

Sara Vaughan

Sara Vaughan (Jun 12, 2024 16:37 GMT+1)

12 June 2024

Peter Stanley

Chief Executive Officer

Peter Stanley

Peter Stanley (Jun 12, 2024 17:20 GMT+1)

12 June 2024

Strategic Report

Our business

Elexon provides code management and settlement services for the electricity industry's central market arrangements, including the Balancing and Settlement Code, Contracts for Difference, the Capacity Market, the Energy Price Guarantee, Energy Bill Relief Scheme and the Energy Bills Discount Scheme. We have also been appointed to manage the implementation of MHHS.

Elexon and its subsidiaries form a not-for-profit group, which (save for our subsidiary EMR Settlement) recoups its costs from BSC Parties in accordance with the terms of the BSC. All licensed electricity generators and suppliers in Great Britain are obliged to become signatories to the BSC. Other companies, such as flexibility service providers, may choose to do so. EMR Settlement recoups its costs under a contract for services with Low Carbon Contracts Company and Electricity Settlements Company.

The Balancing and Settlement Code (BSC) requires Elexon to produce an Annual BSC Report by no later than 30 June each year. The Annual BSC Report includes full details of Elexon's performance as BSCCo during 2023/24, including performance against our budget and a range of financial and non-financial key performance indicators. The Annual BSC Report for 2023/24 will be available on the Elexon website (www.elexon.co.uk).

Business Performance

Turnover of the Group for the year to 31 March 2024 was £117.2m (2023: £99.4m) including £6.6m (2023: £5.6m) of EMR income (see note on Group Turnover). Excluding the EMR income, turnover in relation to the BSC was £110.6m compared with £93.8m in the previous year. The increase in turnover of the Group from £99.4m to £117.2m was mainly due to our investment into delivering the Kinnect, Helix and MHHS programmes. Our interest income of £0.7m was significantly higher than last year due to high interest rates driven by inflation.

	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000	£'000	£'000	£'000
BSC Turnover	110,600	93,850	67,958	49,943	41,422
EMR Turnover	6,635	5,569	6,001	5,833	5,307
Total Turnover	117,235	99,419	73,959	55,776	46,729
Cost of Sales	(117,900)	(99,848)	(73,957)	(55,783)	(46,777)
Net Interest Income	665	429	(2)	7	48

Table 1: five-year comparison figures

The total cost for the year was £110.0m, (2022/23 £93.4m), against the approved amended budget of £111.4m in 2023/24. For more details on our performance during 2023/24, please refer to the 2023/24 Annual BSC Report, which will be published by 30 June 2024. The report will be available on the Elexon website.

Looking forward, the Group budget for 2024/25 has been set at £119.0m. For more details of the budget, please refer to our Business Plan on the Elexon website:

(<https://www.elexon.com/documents/about/finances-report-policies/business-plan/2024-25/elexon-business-plan-2024-2025>).

As the Group is not-for-profit, costs and interest charges are exactly matched by turnover for the year. During the year, based on our forecasting, we adjust our charges (rather than continuing to charge the equivalent of our budget) seeking to match our revenue to our costs. However, as forecasting cannot be entirely accurate, there is, for the 2023/24 financial year, as in every year, a reconciliation of BSC costs charged to Trading Parties based on

the final audited costs and interest charges shown in this report. Consequently, a credit of £1.4m for the 2023/24 financial year will be returned to BSC Trading Parties in August 2024.

Corporate Social Responsibility

Our Corporate Social Responsibility (CSR) strategy ensures that we behave in a sustainable, socially and environmentally responsible manner, and contributes to our overarching purpose as an organisation serving at the heart of the energy industry, building a path to Net Zero.

Environment

Elexon is committed to working with the industry to deliver BSC changes that support progress to Net Zero. Various examples of what we have done to support this during 2023/24 are contained in the 2023/24 BSC Annual Report.

They include working with industry to prepare for the implementation of [Modification P415 'Facilitating access to wholesale markets for flexibility dispatched by VLPs'](#) in November 2024, and continuing to develop the solution and seek industry views on [P444 'Compensation for Suppliers and VLPs for VLP actions in the Balancing Mechanism \(BM\)'](#).

A significant step towards Net Zero was achieved in November 2023 with the successful implementation of [Modification P395](#). This modification aligns BSC reporting with EMR regulations, paving the way for new, more sustainable business models in the energy sector. By making the business case more attractive for technology providers, P395 helps us build a smarter, more flexible energy grid which is a crucial element in reaching Net Zero.

Additionally, we have supported the progression of a host of Modifications, Issues and Change Proposals that facilitate MHHS, a key enabler of the flexibility needed to support the transition to Net Zero. This included the implementation of [P434 'Half Hourly Settlement for UMS Metering Systems'](#) and [P432 'Half Hourly Settlement for CT Advanced Metering Systems'](#) to enable half hourly Settlement for new technologies, and [Issue 101 'Ongoing Governance, Funding and Operation of the Market-wide Half Hourly Settlement \(MHHS\) Data Integration Platform \(DIP\) by BSCCo'](#) to define the requirements and principles to improve the architecture for industry data transfer to address an increase in the volume of data being sent and received across the retail electricity industry, due to MHHS.

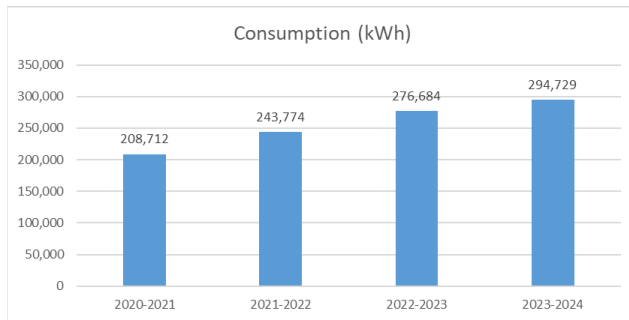
In relation to our London office, we aim to reduce our environmental impact. In addition to colleague awareness campaigns and monitoring energy consumption and recycling, we have a dedicated group of Elexon colleagues who meet monthly to assess our environmental impact and brainstorm ways to reduce it.

These activities include:

- encouraging environmentally friendly means of transport to work for staff;
- using adaptive lighting controls for the office and carefully managing the running times of air conditioning units;
- turning off IT equipment when it is not in use;
- ensuring that the energy supply to Elexon's office is 100% renewable and that our office has an A+ rating for energy efficiency;
- working with specialists to continually improve our energy efficiency in the office. Our energy use has increased over the past few years as staff returned to the office post-pandemic, and we are working toward a decarbonisation plan to tackle our carbon footprint;
- working with our cleaning contractor to reduce the usage of hazardous chemicals and waste, resulting from cleaning.

Climate change

For the period 2023/24 Elexon's annual energy consumption was 294,729 kWh (compared with 276,684 kWh in 2022/2023). An increase in office footfall of 52% in the year contributed to higher energy consumption compared to the previous year, despite overall headcount remaining the same year on year.



The energy consumption data is based on meter readings from Elexon Group's office. Our renewable electricity tariff is certified by the Carbon Trust to be compliant with the Greenhouse Gas Protocol Scope 2 Guidance. This means Elexon can report zero carbon emissions for purchased electricity when reporting using the market-based method. This is a Carbon Trust method, which allows companies to quantify their emissions based on how much carbon is emitted by generation of electricity that they purchase from suppliers.

Elexon's energy usage reduced by 269 kWh per £1.0m revenue in 2023/24 to 2,514 kWh per £1.0m revenue (2022/23: 2,783 kWh).

We met the criteria to qualify for the Energy Saving Opportunity Scheme (ESOS) in 2023, the scheme administered by the Environment Agency, which requires us to appoint a Lead Auditor to carry out an energy audit on our business and identify areas where reductions could be made. We are currently carrying out these recommendations. We are also building a relationship with the Camden Carbon Alliance to further identify areas of improvement.

Community

At the beginning of January 2024, we started a three-year partnership with two charities, Eve Appeal and the Trussell Trust, which were both chosen by Elexon colleagues. Between January 2024 and January 2025, we aim to raise over £1,500 for each charity through various fundraising activities. As well as supporting the charities through fundraising we encourage our employees to use volunteering days, or to participate individually in charitable activities. From running marathons to cycling, our colleagues are frequently willing to raise money for both the company's chosen charities and personal causes.

Workplace

As a business, we understand that creating a positive work environment requires a sustained emphasis on health, wellbeing, flexible work arrangements, and personal growth opportunities. We offer colleagues access to resources such as the Mental Health Foundation and an Employee Assistance Programme.

Throughout 2023/24, we ran multiple campaigns to raise awareness about mental health and wellbeing among our colleagues. We also have a dynamic community of Mental Health First Aiders who are trained to provide support and guidance to those who may be struggling. Another critical area of focus during this period was on promoting Equality, Diversity and Inclusion in our workplace. Our Diversity Forum members meet regularly to explore ways to continually improve in these areas and foster a more inclusive work environment.

Helping colleagues to develop in their career

We believe in cultivating and retaining value for the long term by investing in our employees' expertise.

To help our colleagues develop, we offer a range of training, coaching, and mentoring opportunities. Additionally, we prioritise knowledge sharing and transfer to support the experts of tomorrow.

In October 2023, we launched our first Careers Week, a week-long event with keynote speakers, practical coaching and mentoring workshops, and informative career forums. This initiative reflects Elexon's commitment to investing in its people and fostering talent development.

Marketplace

We work within our marketplace, alongside new, potential and existing suppliers to ensure that they are providing CSR credentials that are compatible with our own. We look to ensure that all our current suppliers and vendors follow ethical practices. We have also undertaken work to ensure our supply chain is free from practices involving slavery; this work is ongoing, and will continue to be a focus into the future. In addition, we also specify that suppliers local to the London area that provide services to our office pay their staff the London Living Wage.

Business Environment

Risk Management

The Board is committed to protecting Elexon's reputation in delivering our services to industry. Whilst we recognise that it is not possible to eliminate all risks and uncertainties, our comprehensive Risk Management Framework supports Elexon in managing the risks and opportunities that we face in pursuit of achieving our strategic objectives.

The Audit and Risk Committee oversees the effective implementation of Elexon's Risk Management Framework. The Board monitors the amount of risk that Elexon takes in pursuit of our strategic objectives and sets risk appetite annually for implementation by management to mitigate risks to acceptable levels. Risks are monitored through a 'top-down' and 'bottom-up' approach and each risk is assigned an Executive owner who is responsible for monitoring and managing their respective risks. Each risk is analysed using Elexon's tailored risk assessment criteria to assess the likelihood that the risk will materialise and (both qualitative and quantitative impacts) if the risk did materialise. Risk appetite and effectiveness of internal controls are considered in determining whether to tolerate current risk levels or set target risk levels along with actions to further mitigate risks to an acceptable level. Risks are aligned with our Internal Audit plan to provide the Board with assurance over the effective operation of internal controls in mitigating our principal risks.

Principal risks and any new and emerging risks are reviewed by the Executive Committee on a quarterly basis and are reported to the Audit and Risk Committee and the Board. The Board completes a robust assessment of the principal risks facing the business on a biannual basis with support from the Executive team.

Principal Risks and Uncertainties

The table below sets out the principal risks faced and outlines how those risks have been mitigated.

Principal Risk	Managing and mitigating the risk
<p>Unable to achieve our strategy</p> <p>There is a risk that we are unable to achieve our strategy due to external circumstances (e.g. Code Reform; industry change, government energy policy changes and the wider geopolitical environment) or internal circumstances (e.g. limited bandwidth, capability and budget) resulting in the inability to achieve one or more strategic objectives.</p>	<ul style="list-style-type: none"> • Ongoing discussions and communications with customers and stakeholders to ensure our strategy remains aligned to delivery of energy policy and customer value. • Monitor relevant legislation or regulation changes that may impact Elexon's strategy, and asserting our positions on these to support shaping policy outcomes. Regular monitoring of political and industry news. • Strategy programme governance and regular Board reporting.
<p>Attract, retain and develop talent</p> <p>There is a risk of insufficient or inadequate skills and resources to deliver strategic priorities, programmes and operational objectives. This could be because of an inability to attract the right talent, retain key resources, manage appropriate attrition, succession planning and develop the right skills. This may result in insufficient bandwidth and capabilities, impacting our service delivery, successful implementation of strategic initiatives and achievement of our vision.</p>	<ul style="list-style-type: none"> • Proactive recruitment and headhunting process, data analytics used to inform predictive resourcing. • Ongoing succession planning process and periodic review. • Talent management across our talent pool, including our Emerging Leaders and Development programme. • Equality, Diversity and Inclusion (EDI) policy, programme and steering group, regular EDI Forums, Discussion Dialogues to share colleague experiences and EDI Take Action Groups to deliver specific EDI events. • The People and Remuneration Committee approves colleague remuneration including external benchmarking against our employee value proposition and to review pay gaps (gender and ethnicity). • Quarterly performance management, colleague objectives aligned to strategic goals, functional objectives and personal development.
<p>Delivery risk of the MHHS and Helix programmes</p> <p>There is a risk that the MHHS and Helix programmes fail, experience</p>	<ul style="list-style-type: none"> • Ongoing programme governance for Helix and MHHS, tracking progress against programme objectives, milestones, budget and plan. Regular issue management and reporting with attributable parties.

<p>delays or encounter other major issues caused by either programme management issues, programme interdependencies, scope change or implementation issues, impacting our reputation in industry.</p>	<ul style="list-style-type: none"> • Controls over design and delivery of Helix business requirements including systematic process for approval of changes. Standard testing procedures for functional integration and regression testing and central programme assurance (Component Integration Testing, Pre-integration testing and Systems Integration Testing) with defined exit criteria for software releases. • Monthly MHHS Programme Steering Group including representation from regulator Ofgem and monthly reporting to the Elexon Board for areas of our responsibility. Helix Programme reported to the Elexon Board's Transformation Committee quarterly. • Monthly programme reporting by Independent Assurance Providers for MHHS and Helix to support effective programme leadership and coordination across parties.
<p>Cyber resilience</p> <p>There is a risk that Elexon is unable to carry out service obligations and key business processes caused by a major cyber resilience failure impacting critical Elexon systems or external service providers in our end-to-end supply chain impacting on the services that we provide and our reputation in industry.</p>	<ul style="list-style-type: none"> • Maintain a business continuity plan and crisis management plan at Elexon. • Business continuity and IT disaster recovery plans for all BSC agent services. • Maintain ISO27001 information security accreditation, subject to annual audits and implements identified improvement. • Third party providers who are responsible for systems support operate in line with ISO27001 best practice, including issue and risk management reporting. • Third party annual penetration testing at Elexon and its Service Providers and corrective actions are implemented. • Maintain expert external provider to provide critical response facility in the event of a cyber-attack. • Utilisation of threat intelligence to monitor cyber security risks that may pose a threat to Elexon and respond using proposed mitigating actions accordingly. • Participation in industry cyber resilience forums and supplier forums to discuss threats and best practice. • Regular patching and updating in place. • 24/7 managed security operations centre, monitoring Elexon on-prem and cloud based systems.
<p>Customer service delivery</p> <p>There is a risk that we fail to delivery our services and meet customer expectations due to operational failures caused by service providers or our own operations which affect settlement or result in a degradation of service, which could impact on customer experience and have a negative impact on our reputation with industry.</p>	<ul style="list-style-type: none"> • Stakeholder and customer relationship management. • Customer surveys to assess satisfaction with our services. • Significant Operational Issue Procedure and processes in place and operational staff training. • Operational risk register in place linked to BSC obligations. • Operating Model design ensures a clear line of sight and ownership of risk for mitigation. • Finance and cash flow controls. • Trading Disputes process. • Business Continuity Plan and IT Disaster Recovery, crisis management plan and policy.

Viability Statement

Taking account of the Company’s current position and principal risks, the Directors have assessed the prospects of the Company over a period of three years. The Directors believe three years to be an appropriate period as this is the period in respect of which the Company undertakes financial projections as part of its business planning process.

The funding arrangements for the Company are set out in Section D of the BSC. As a result of the BSC funding arrangements, there is no medium/long term risk of Elexon failing to meet its liabilities. The BSC funding arrangements ensure that all of the Company’s BSC costs are funded by BSC Parties. To the extent that there is any short-term cash flow risk to the Company, there are robust mitigations in place as described in the [Principal Risks](#) and Uncertainties table and the [Going Concern statement](#).

The Directors therefore have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. This assessment is based on the assumption that Elexon’s funding model remains unchanged. We have no expectation of any change to our funding arrangements.

On 14 July 2022, following a consultation, the Department for Energy Security and Net Zero (DESNZ) together with Ofgem set out their positions on the future ownership of the Company. They concluded that the ownership of the Company should be transferred from its current owner, National Grid ESO, to a wider group of BSC Parties. This change of ownership will not impact the funding arrangements described above, and accordingly does not impact the Directors’ assessment of the Company’s viability.

The Company undertakes regular stress testing and scenario cash flow analysis with regards to the impacts of the Ukraine conflict, and more broadly Energy Market conditions on the viability of the business. The Directors’ assessment is based on this analysis.

Section 172(1) statement

Section 172(1) of the Companies Act 2006 sets out the general duties of directors, a copy of which can be found [here](#). Elexon’s engagement with its stakeholders takes place at all levels within Elexon’s organisation. The table below summaries engagement by the Board and Executive Team, and how engagements at other levels in the organisation are escalated, where relevant, to the Board and Executive Team.

The key matters considered by the Board and its Committees are set out in the [matters discussed by the Board](#) section. Engagement with stakeholders, as described below, forms a key part of Directors’ considerations on those matters. When making decisions, the Board strives to balance the different and competing priorities and interests of our stakeholders in a way compatible with the long-term, sustainable success of the business and which maintains a standard of business conduct aligned to our values and purpose.

The impact of Elexon’s operations on the community and environment is explained in the [CSR Report](#). Facilitating the achievement of the UK’s Net Zero target is central to the Company’s operations as explained further in the [environment](#) section.

	Industry	BSC Panel	Colleagues
Who	BSC Parties; industry participants (e.g. Party Agents); industry advisors and experts	The BSC Panel and its committees	Elexon’s workforce
How we engage	Specific board level engagement with industry includes: <ul style="list-style-type: none"> three of Elexon’s Non-Executive Directors are appointed from industry and so are able to provide an industry perspective at Board meetings; consultation on Elexon’s Annual Business Plan; the Company conducts an annual customer survey which is considered by the Board; there are regular meetings between members of the 	Specific board level engagement with industry includes: <ul style="list-style-type: none"> the Chair of the Board also chairs the BSC Panel; the CEO attends the BSC Panel; occasional attendance by Board members at Panel meetings and informal Panel events; consultation on Elexon’s Annual Business Plan; 	Specific board level engagement with the workforce includes: <ul style="list-style-type: none"> the Board has appointed the Chair of the People and Remuneration Committee (Anne Heal) as its designated workforce Non-Executive Director (‘Link NED’), who ensures that the ‘employee voice’ is considered. She fulfils this role through a number of engagements with the workforce, both formal and informal. She also ensures that workforce interests are fed back to the Board which enables the Board to take these into account;

	<p>Executive team and BSC Parties which are reported, where relevant, to the Board;</p> <ul style="list-style-type: none"> Board members will from time to time engage directly with industry participants; the BSC provides for an Annual BSC Meeting where BSC Parties can ask questions of the Board and the BSC Panel 		<ul style="list-style-type: none"> the Elexon Chair regularly spends time in the office, engages generally with colleagues and regularly meets new starters; direct engagement with the workforce through colleague attendance at regular breakfast briefings on various topics; the Board reviews the annual employee survey results and the actions being taken to address any issues; attendance by individual Non-Executive Directors at monthly Town Hall meetings (where they can be introduced to colleagues).
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Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2024.

Going concern

During the year, the Group arranged a £0.1m overdraft facility for Elexon and a £5.0m overdraft facility for Elexon Clear respectively with Barclays PLC at the variable rate of 1.75 percent above the bank's base rate. The Board believes that this provides a secure financial base for the Group for the foreseeable future. Financial risks are also mitigated by the nature of the debtor balances owed, with the Code providing for other BSC Parties to meet the liabilities of any debtor in default; and the provision of the BSC whereby Elexon recovers its costs one month in advance. The Group has a positive cash flow closing balance within the rolling twelve months of signing the financial statements. As a result, the Board considers that there is a reasonable expectation that the Group will continue in operating existence for the foreseeable future and has therefore used the going concern basis of accounting in the preparation of the financial statements.

Employees

See [Note Directors and Employees](#) for details on the number of employees and related costs.

Dividends

Under the terms of the BSC, the Company has no power or authority to declare or pay any dividends.

Charitable and political contributions

During the year, the Company has made charity matching donations totalling £500.00 and no political contributions.

Financial Instruments

There are no financial instruments that the company holds as at 31 March 2024.

Important Events and Future Developments

Details of important events that have affected the Company since the end of the financial year and future developments are included in the [Strategic Report](#).

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Directors

The Directors that served throughout the year were as follows:

Sara Vaughan – Elexon Board and BSC Panel Chair

Sara was appointed as Chair of the Elexon Board and the BSC Panel on 1 October 2022. She previously served as interim Chief Executive Officer between November 2021 and April 2022. Sara has been a member of the Elexon Board since March 2019. Sara was previously at E.ON where she was Executive Director for Strategy and Regulation and, latterly, for Political and Regulatory Affairs.

She started her career as a lawyer at Slaughter and May before moving to Powergen (later E.ON) as a competition lawyer. She subsequently broadened her experience through taking on a number of additional responsibilities such as regulation, compliance, energy policy, and external affairs including CSR, legal and company secretariat, HSSE and engineering governance.

Sara is a Non-Executive Director of the North Sea Transition Authority, a member of the Energy Advisory Panel and Energy Policy Debates Committee at the Energy Institute, where she is a Fellow, and Steering Group Co-chair in Icebreaker One's work on Open Energy. She is also a local Parish Councillor.

Board Roles: Elexon Chair, Chair of Nominations Committee, MHHS Committee and EMRS Board, and a Member of the Transformation Committee and People and Remuneration Committee.

Peter Stanley – Chief Executive Officer

Peter has been Chief Executive Officer of Elexon since 1 October 2023. Previously Peter was a member of the Executive team and the Chief Operating Officer (COO) at Elexon. As Chief Operating Officer, he was responsible for Elexon's digital transformation and settlement operations and market insight services. He was also responsible for operational delivery of our obligations under the Balancing and Settlement Code (BSC) and for realising the vision for the Elexon Kinnect platform that is underpinning the transformation of Elexon's business, driving key initiatives for market insight services, data analytics, and emerging flexibility markets to support Net Zero.

Peter has over 35 years' experience in the electricity industry and has gained a strong background in driving technology and data focused transformations within the energy sector.

Anne Heal – Independent Non-Executive Director

Anne was appointed to the Elexon Board as an independent Non-Executive Director on 1 October 2017. She is also the designated workforce Non-Executive Director ('Link NED'), who ensures that the 'employee voice' is considered by the Elexon Board.

She also chairs Market Operator Services Limited (normally known as MOSL), is a Board Member of ORR, the rail and road regulator, a lay member of the General Dental Council, and an independent member of the Bank of England Enforcement Decisions Making Committee and the FCA Regulatory Decision Committee. She is Chair of the London Design and Engineering UTC.

She was previously Director of Regulatory Affairs for BT Group, leading the regulatory negotiations that led to the creation of Openreach, where she then became MD, Strategy. She has also been a Board Member of Ofqual, the qualifications regulator.

Anne chairs a charity, Volunteering Matters, is a trustee of BalletBoyz, and also chairs the Governance and Nominations Committee of Diabetes UK.

Board Roles: Chair of People and Remuneration Committee and a Member of the Nominations Committee.

David Titterton – Industry non-executive director

David was appointed to the Elexon Board as an industry non-executive director on 1 March 2019 and was appointed as the Senior Independent Director from 1 November 2023. He is an engineer by background and has over 34 years' experience in the energy industry.

David held many senior roles in Npower, latterly as Energy Services Director, and prior to that at Scottish Power; in all parts of the energy retail business including Customer Service & Field Operations, Sales & Marketing and Trading.

David has a wealth of experience in initiating and developing business strategy, business development, acquisitions, business integration, divestment, transformation, leading people through major change and senior stakeholder engagement.

David is also a non-executive director for both Horizon Energy Ventures Ltd (who finance sustainable energy solutions) and Yorkshire Energy Services CIC (who deliver energy efficiency measures to help alleviate fuel poverty). He was previously for nine years a Governor/Director of The Aspire Academy, an alternative provision school whose aim is to reduce the rate of permanent exclusion in key stage 4 pupils.

Board Roles: Senior Independent Director, Chair of the Transformation Committee; Member of the People and Remuneration Committee and Nominations Committee.

Ian Graves – Industry non-executive director

Ian was appointed to the Elexon Board as an industry Non-Executive Director on 1 January 2023.

Ian started his career at Midlands Electricity, joining just after privatisation. His career journey has taken him on a variety of roles across networks and the power generation sector.

After directing the Power Sector at Costain, he joined National Grid leading interconnector development amongst other non-regulated activity. In 2019 he became the CEO of PeakGen, which provides flexibility and ancillary services to electricity network system operators through generation and battery storage. PeakGen also operate 400kV Transmission assets, as well as energy trading and optimisation services.

As well as his successful executive career, Ian has enjoyed a portfolio of non-executive roles within a broad range of organisations. He was previously on the board of the Midlands Air Ambulance Charity, as well as providing non-executive oversight on a redevelopment project for Birmingham Symphony Hall. Currently Ian serves as Chair of TNEI, where he was involved in taking the organisation to employee-owned status.

Board Roles: Member of the Audit and Risk Committee, MHHS Committee, Nominations Committee and People and Remuneration Committee.

Tim Fitzpatrick – Independent non-executive director

Tim was appointed to the Elexon Board as an independent Non-Executive Director on 1 July 2022.

Tim is the senior Non-executive Director at Oxbury Bank Plc where he chairs both the Audit committee and the Remco. He is also a senior advisor to Reply Group, a digital services, technology and consultancy multi-national company.

Previously he was a Non-executive Director and Audit committee chair at Pay.UK, Chair of Synch Payment DAC as well as CEO at the UK high value payment operator CHAPS. Tim has also held a variety of senior executive positions in HSBC in the UK and overseas, as well as senior advisory roles in the Bank of England and London Metal Exchange. His experience brings a broad range of competencies focusing on business transformation, critical national infrastructure, regulatory engagement, and systemic and operational risk.

Board Roles: Chair of Audit and Risk Committee and a Member of the EMRS Board and MHHS Committee.

Devrim Celal - Industry non-executive director

Devrim joined the Elexon Board on 1 November 2023.

Devrim is the CEO of Asset and Optimisation at Kraken. Before Kraken, Devrim's professional career saw him take up executive roles with blue chip management consultancies and finance companies such as Publicis Sapient, Kearney and Lansdowne. He also holds an MBA from Yale University.

He is the Deputy Chair and non-executive director of the Thames Estuary Growth Board, where he co-chairs the net zero committee and a Board Member of Greater Manchester Business Board.

Board Roles: Member of the Audit and Risk Committee, Transformation Committee and Nominations Committee.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

ELEXON LIMITED

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's corporate website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position, performance, business model and strategy.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.

Nicholas Brown

Company Secretary



12 June 2024

Corporate Governance Statement

Corporate governance

Exelon occupies a unique position of accountability and responsibility to the electricity industry and the Company's Board therefore recognises the importance and value of good corporate governance. Consequently, whilst Exelon is not a listed company and the UK Corporate Governance Code (2018) is not formally applicable to the Company, we do seek to follow best practice, including those principles in the Corporate Governance Code that are relevant to the Company. A general narrative statement relating to the governance of the Group appears below.

Matters discussed by the Board

The Board has considered and made key decisions in respect of the following:

Strategy and Business Plan	Governance	People	Industry, policy and stakeholders	Performance
<ul style="list-style-type: none"> 2024/25 Business Plan development and approval Approval of amended budget Bi-annual strategy events Codes Review consultations Ownership Ofgem DCC consultation Market facilitator consultation Approval of Elexon participation in EII NCC scheme (subject to approval of BSC Modification) 	<ul style="list-style-type: none"> 2023 Annual Report Risk Appetite Independent NED recruitment Internal board and director effectiveness review Review of corporate governance code Review of corporate governance approach Review of committee terms of reference Annual review of insurances Information security awareness review Modern Slavery 	<ul style="list-style-type: none"> Employee turnover and retention Elexon's EDI journey 2023 employee engagement survey Regular updates from People and Remuneration Committee 	<ul style="list-style-type: none"> 2023 customer survey results REMA Distributed flexibility CMAG Update on stakeholder engagement and policy universe Business plan consultation responses 	<ul style="list-style-type: none"> BSC central system support contract approval 2023 review of winter preparedness Helix programme budget Review of Helix programme Update on Helix and MHHS programme risks and costs Cloud services procurement Central systems technology model BSC Agent contract amendment approval BSC Audit and Qualification contract extension Approval of Insights solution contract

Board Leadership and Company Purpose

Sustainability of business model

We generate and preserve value over the longer term by:

- providing up-to-date IT infrastructure and platforms to build scalable, flexible and stable services that support new markets and new retail, wholesale products and services in an open and accessible way;
- leveraging our existing skills, experience and understanding of the markets, policy and regulation to enable us to explore new opportunities for the benefit of the energy industry, innovators and consumers; and
- continuing to focus on the personal development of our people in order to build capability in the business to support the BSC and EMR, in a rapidly changing energy market, and to aid the Governments and Regulator in their Net Zero ambitions.

The Board considers and addresses opportunities and risks to the future success of the business through:

- receiving regular reporting on and discussing the strategic activities;
- developing thinking on opportunities and risk through focused strategy meetings as well as regular strategy discussions at the Board;
- the Audit and Risk Committee considering, monitoring and assessing risks across the wider business, including focussing on risks to the ongoing robustness of the business and its business transformation activity; and
- the Board discussions including a substantial focus on strategy, which reflect considerations about the sustainability of the business model.

Culture

One of the key initiatives in the Company's strategy is to build a sustainable performance culture. The Board encourages and monitors this through regular reporting to it, and to the People and Remuneration Committee, on achieving the deliverables and milestones that comprise this initiative. In addition, the Board:

- receives regular reporting on people (including, health, safety and wellbeing);
- reviews the employee engagement survey;
- engages with the workforce (e.g. through the "Link NED" position and by attendance at all colleague 'town hall' meetings);
- receives, through the Audit and Risk Committee, internal audit updates on fraud and whistleblowing;
- monitors the nature and extent of workforce engagement with internal and external reviews;
- strives, through Board members' own behaviours, to set the 'tone from the top' for management and the workforce in sharing and living the purpose, values and strategy.

Equality, Diversity and Inclusion (EDI)

As regards Equality, Diversity and Inclusion:

- the Board focuses on EDI in its own work: The Board is mindful of keeping this at the forefront and looking at further opportunities to be involved in EDI-related matters. Board Members undertake the same EDI awareness sessions as the workforce and expect to be able to attend Company EDI-related talks, forum meetings and events such as National Inclusion Week and Elexon's Careers Week;
- the gender balance of the Board comprises of five males and two female Directors, including our Chair. The membership of the Executive Team is comprised of three males and four females.
- the Board is mindful of all forms of diversity. In order to ensure we have a diverse candidate pool, the Board used a new executive search consultancy who specialise in diverse recruitments for the most recent Board appointment. This resulted in a more diverse set of candidates applying for the role and a successful appointment to the role;
- Board members have agreed ways of working that create a safe inclusive and friendly environment for presenters to the Board, where challenge is present but is respectful and constructive.

Investing in and rewarding the workforce

The People strategy includes a number of components including supporting diversity, inclusion and the wellbeing of Elexon's workforce, more details of which can be found in the [Corporate Social Responsibility report](#).

The Company's approach to rewarding the workforce is set out in the colleague remuneration policy approved by the Board and which is based on the following principles:

- ensuring equal treatment as regards to pay and benefits;
- paying market rates that have been benchmarked against roles in comparable sectors; and
- endeavouring within reason to reflect remuneration best practice.

Whistleblowing

The Board has established a whistleblowing policy and procedures, and the Chair of the Audit and Risk Committee is the Company's whistleblowing Champion. The policy and procedures for handling whistleblowing are reviewed annually by the Audit and Risk Committee.

Engagement with shareholders and stakeholders

The rights and responsibilities of the Company's sole shareholder, NGESO, are constrained by the BSC. Details on Elexon's engagement with its stakeholders can be found in the [Section 172\(1\) statement](#).

Division of Responsibilities

The Board

The Board is comprised of a Non-Executive Chair, the Chief Executive Officer, and five independent Non-Executive Directors. It therefore satisfies the requirement for at least half the Board, excluding the Chair, to be Non-Executive Directors whom the Board considers to be independent. The Board has a written division of responsibilities between the Chair and Chief Executive Officer, which is available on the Company's corporate website.

Independence of Non-Executive Directors

The Board considers that all of the Non-Executive Directors are independent.

Ian Graves is the CEO of PeakGen and Devrim Celal is the CEO of Asset and Optimisation at Kraken (Octopus Energy's technology platform). As BSC Parties, PeakGen and Octopus Energy currently have, or had within three years prior to the 2023/24 year, a material business relationship with the Company. This is relevant to the criteria identified in the UK Corporate Governance Code relating to Directors' independence but the Board nonetheless considers that Ian Graves and Devrim Celal are independent. The rationale for this is that appointing industry Non-Executive Directors from amongst BSC Parties is an important element of ensuring that Elexon has the appropriate balance of skills, experience, independence and knowledge on the Board. The Board has considered the contribution of Ian Graves and Devrim Celal to the discussions and decisions of the Board and has determined that they continue to demonstrate independence of judgement and character.

Scrutinising the Performance of Executive Directors

Elexon only has one Executive Director, the Chief Executive Officer, whom the Non-Executive Directors are responsible for appointing and removing.

The People and Remuneration Committee (in consultation with the other Non-Executive Directors and, in relation to the Executive Team and the CEO) sets performance objectives for the CEO and Executive Team and holds management to account against these objectives.

Composition, Succession and Evaluation Principles

Board Composition

Our Board comprises a Non-executive Chair (independent on appointment), one Executive Director (Chief Executive Officer) and five independent Non-executive Directors. There is a clear division of responsibilities between the Chair and Chief Executive. A list of our Directors' biographies can be found in the [director's report](#).

Annual re-election

All Directors seek re-election on an annual basis.

Evaluation and effectiveness

In January 2024, the Board completed an internal evaluation, in the form of a personal 360° assessment, and a review of the effectiveness of the operation of the Board and its committees. This showed an improvement in relation to Board operation and performance as a whole with all scores either improving or remaining the same. There were no areas of real concern, however, the Board agreed there would be value in exploring the following recurrent themes:

- the Board has reviewed its schedule of reserved matters, and each Committee has reviewed its terms of reference (which have subsequently been approved by the Board);
- the Board reviewed its approach to colleague engagement, further details of which can be found in the [Section 172\(1\) statement](#) section and;
- the Board agreed to enhance its approach to equality, diversity and inclusion, further details of which can be found in the [culture](#) section
- The next externally facilitated evaluation will take place in 2025.

Development

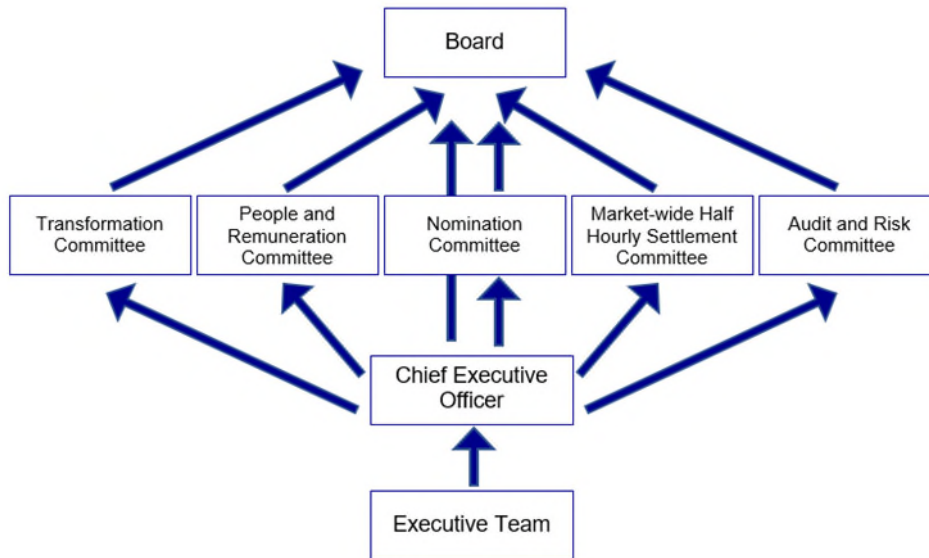
The Chair, along with the Company Secretary, is responsible for the induction of new Directors. As part of their induction, new directors receive an induction programme that is tailored to their individual needs and includes:

- meetings with the Chief Executive and the Executive team on Elexon's business, strategy and stakeholders and the challenges facing the business;
- meetings with the Company Secretary on Elexon's corporate governance and the Chief People Officer on Elexon's people;
- a comprehensive directors' information pack; and
- an introduction to the BSC Panel and the BSC.

To strengthen the Directors' knowledge and understanding of the Company, Board members attend briefing sessions with different teams within the Company. Board meetings also regularly include briefings on specific topics of relevance to the Company's activities. During the course of this year, topics covered have included cyber security training and presentations on the impact of the Review of Electricity Market Arrangements (REMA).

Governance Framework

The Governance framework at Elexon is set out in the diagram below.



The Board has a formal schedule of reserved matters, which is available on Elexon’s corporate website (<https://www.elexon.com/governance/elexon-board/>). Each of the Board’s Committees has formal terms of reference. There are descriptions in this Report of the roles of the [Audit and Risk Committee](#), [People and Remuneration Committee](#), [MHHS Committee](#), [Nominations Committee](#) and [Transformation Committee](#).

Attendance at Meetings

The Board, and each of its Committees, hold regular meetings scheduled throughout the year and ad hoc meetings as required. All Directors are expected to attend all Board and relevant Committee meetings. During the course of 2023/24, all Board meetings were held in person at the Elexon offices and Committee meetings through a hybrid approach (attendance at the Elexon offices and remotely). Details of attendance by Directors at Board and Committee meetings during 2023/24 are set out in the table below.

Name of Director	Board	Audit and Risk Committee	MHHS Committee	People and Remuneration Committee	Nominations Committee	Transformation Committee
Total number of meetings	10	5	10	6	4	5
Sara Vaughan	10 (10)	2*	10 (10)	6 (6)	4 (4)	5 (5)
Anne Heal	10 (10)	1*	-	6 (6)	3 (4)	-
Clare Duffy	6 (6)	2 (2)	-	3 (3)	2 (3)	4 (4)
David Titterton	9 (10)	1*	-	5 (6)	3 (4)	4 (5)
Devrim Celal	3 (4)	1 (3)	-	-	1 (1)	1 (1)
Ian Graves	10 (10)	5 (5)	9 (10)	3 (3)	4 (4)	-
Peter Stanley	6 (6)	4*	6 (6)	3*	1*	3*
Simon McCalla	3 (4)	1*	4 (4)	2*	1*	2*
Tim Fitzpatrick	9 (10)	5 (5)	8 (10)	-	4 (4)	-
Yasmin Mouse	5 (7)	2*	-	-	-	-

Notes

- Numbers in brackets show the number of meetings that each Director was a member of the Board or a Committee and entitled to attend. Board and Committee membership is included in the [Directors](#) section.
- Numbers with asterisk show how many Committee meetings a Director attended in whole or in part where they were not a member of that Committee. Non-members are invited to attend Committee discussions where this will enhance the efficiency of decision making.

3. Following Clare Duffy stepping down at the end of October and Devrim Celal's appointment to the Board from November, the membership of the Committees was impacted as follows:
 - Devrim Celal became a Member of the Audit and Risk Committee, Nominations Committee and the Transformation Committee; and
 - Ian Graves became a Member of the People and Remuneration Committee.

The attendance records above therefore show some Directors attending Committee meetings in different capacities throughout the year.

4. Executive Directors attend certain Committees in order to support the work of those Committees, but not as members.

Audit, Risk and Internal Controls

Going Concern and Viability Statement

Exelon's [Going Concern statement](#) can be found in the Directors' Report. The [Viability Statement](#) can be found in the [Strategic Report](#).

Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the [principal risks](#) it is willing to take in achieving its strategic objectives.

The Board, supported by the Audit and Risk Committee, is responsible for:

- determining the nature and extent of the principal risks that the Company is willing to take in achieving its objectives;
- the Company's system of risk management and internal control; and
- reviewing the effectiveness of those systems.

The Board sets and approves risk appetite on an annual basis at a risk category level to provide guidance to management on response to risks. Principal risks are reviewed by the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee also undertakes periodic deep dives into the management of specific risks and at least twice per year reviews all principal risks on the corporate risk register.

All risks on the corporate risk register are reviewed quarterly by the responsible individuals assigned to the risk. The quarterly review considers whether the risk is reducing or increasing as a result of inherent risk factors or the mitigation applied. Any new risks are also considered and added as necessary to the corporate risk register and any risks that are no longer relevant are closed. Significant changes to existing risks and any new or emerging risks are discussed quarterly by the Executive leadership team. All risks on the corporate risk register have an Executive team member assigned who is accountable for monitoring the management of that risk over time.

In addition, the Company's project management approach involves project teams identifying, analysing, evaluating and addressing risks associated with each project. Each project maintains its own risk register with significant project risks escalated to the corporate risk register. The Company maintains a project portfolio that ensures that risks and issues on one project which impact on other projects are identified and managed. Transformation programme risks are also reported to the Transformation Committee quarterly.

Exelon has an internal audit function that provides the Audit and Risk Committee with independent, objective assurance regarding internal controls and risk management processes as part of the Company's risk management and assurance regime. The Audit and Risk Committee agrees a programme of internal audit work annually and reviews progress at each of its meetings with the internal audit manager. All members of the Committee are provided with the reports prepared by the internal audit manager as part of the internal audit work plan.

Exelon has also appointed an external advisor who has supported regular risk management processes, brings an external perspective and an enhancement to our risk management capabilities.

Committees

The Board has five standing Committees: Audit and Risk Committee, Market-Wide Half-Hourly Settlement (MHHS) Committee, Nominations Committee, People and Remuneration Committee and the Transformation Committee. Each is formally constituted with Terms of Reference that are available on Exelon's corporate website.

Report of Audit and Risk Committee

The Audit and Risk Committee is chaired by Tim Fitzpatrick, a non-industry NED, who has recent, relevant and significant financial experience and is a Fellow of the Institute of Chartered Accountants in England and Wales. The other members of the Audit and Risk Committee are Devrim Celal and Ian Graves who have relevant experience in the electricity industry. Regular attendees also include the CEO and CFO. The Company Chair is not a member of the Committee.

Purpose

Its main responsibilities include:

- establishing the Company's system of risk management and internal control and reviewing the effectiveness of those systems;
- reviewing and monitoring the external auditor's independence and objectivity, in particular, the provision of non-audit services that they provide, and determining the nature and extent of the principal risks that the Company is willing to take in achieving its objectives; and
- monitoring the integrity of the financial statements of the Company.

In discharging these responsibilities, the Audit and Risk Committee considers reports from the external auditor, internal auditor and from management, and monitors the implementation of any necessary actions including an independent review of nominated areas of internal control.

Report

The key items considered by the Committee during the year were:

- the 2023 audit and annual report;
- the 2024 audit work plan and accounting policies;
- risk management reviews, with further details of set out on the [risk management and internal control](#) section;
- the results of reviews carried out by the Company's internal auditor;
- quarterly reviews of the Company's information security arrangements;
- a review of the Company's gifts and hospitality register; and
- a review of the Company's whistleblowing arrangements.

Significant issues

The Committee did not consider that there were any significant issues in relation to the financial statements that needed to be addressed.

Effectiveness of the External Audit Process

The Audit and Risk Committee undertakes an annual assessment of the independence and effectiveness of the annual audit process. This involves the completion of a comprehensive questionnaire by the Chief Financial Officer in consultation with the Audit and Risk Committee.

The external auditors, BDO LLP, were appointed in October 2017 following a competitive tender.

Non-Audit Services

The note [Audit Fees](#) to the financial statements includes a description of non-audit services performed by Elexon's external auditor during the year. The objectivity and independence of the auditor are safeguarded by limiting the value of non-audit services performed by the external auditor, the periodic rotation of the lead audit partner, independent reporting lines from the auditors to the Committee and the opportunity to meet with the Committee privately.

Report of Market-wide Half-Hourly Settlement Committee

The MHHS Committee is chaired by Sara Vaughan. The other members of the MHHS Committee are Ian Graves, Tim Fitzpatrick and Peter Stanley.

Purpose

The Board established this Committee in order to oversee Elexon's role as the MHHS Programme Implementation Manager (IM). Taking into account the MHHS business separation requirements, the MHHS Committee fulfils the obligations on the Board to maintain oversight of the IM role, including:

- monitoring and providing oversight of the performance of the MHHS Programme IM;
- monitoring and providing oversight of the performance of the MHHS Programme's service providers and personnel;
- monitoring and providing oversight of the financial performance of the MHHS Programme IM;
- monitoring and providing oversight of the MHHS Separation Solution requirements.

This Committee is not involved in providing any monitoring or oversight of Elexon's role as an MHHS Programme Participant. Additionally, it is not involved in any decision making on MHHS priorities, risks and issue mitigation, change requests, timelines, incentives or penalties in relation to the performance of other Programme Participants.

Report

The Committee has largely been focussed during the year on:

- providing oversight of the separation agreement as the programme moves towards the phase of transition into Elexon;
- providing oversight of issues arising from the approach to Qualification testing;
- monitoring the status of key suppliers; and
- monitoring the current risks and forward priorities detailed in the Independent Assurance Provider's bi-monthly reports.

Report of Nominations Committee

The Nominations Committee is chaired by Sara Vaughan and is comprised of all Non-Executive Directors.

When making appointments to the Board, a smaller sub-group comprised of the Chair and two Non-Executive Directors undertakes shortlisting and interviewing.

Purpose

Its main responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board;
- succession planning; and
- identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Report

The key items considered by the Committee during the year were:

- the appointment of Peter Stanley as Chief Executive Officer, which took effect from 1 October 2023;
- the appointment of Devrim Celal as an industry Non-Executive Director, which took effect from 1 November 2023;
- the appointment of David Titterton as the Senior Independent Director from 1 November 2023; and
- in anticipation of the end of Clare Duffy's term of office, Board members reviewed and updated the Board's skills matrix.

The terms of reference of the Nominations Committee require, amongst other things, that appointments to the Board use open advertising and/or an external search consultancy. Following a tender, a new external search consultant, Audeliss, was used for the one formal NED appointment. Audeliss has no other connection with the Company.

Evaluations

The Board is responsible for the annual [evaluation process](#).

Report of People and Remuneration Committee

The People and Remuneration Committee is chaired by Anne Heal. The other members of the Committee are Sara Vaughan, David Titterton and Ian Graves. Regular attendees also include the CEO and Chief People Officer.

Purpose

The People and Remuneration Committee has evolved from solely being a Remuneration Committee to one that also serves as a point of focus to keep the Board informed on people matters.

Its main responsibilities include:

- determining remuneration for the Chair (in conjunction with the BSC Panel) and Executive Director (CEO) in accordance with the remuneration policy;
- making recommendations to the Board on the Executive Team Remuneration Policy and the Colleague Remuneration Policy;
- determining objectives for the performance related element of Executive remuneration and determining the extent to which such objectives have been achieved;
- determining Executive remuneration. In determining Executive remuneration, the Committee adheres to a formal and transparent procedure;
- monitoring whether the culture of the organisation is aligned to its purpose, values and strategy;
- having oversight of the Company's People Strategy; and
- reviewing the Company's policies and relevant key performance indicators (in respect of Health, Safety and Wellbeing and monitors performance against the Company's EDI strategy).

Report

The key items considered by the Committee during the year were:

- reviewing the Company's People Strategy, including strategies to mitigate workforce turnover;
- approving Executive annual and long-term incentive payments that have arisen during the year;
- setting Executive objectives for 2023/24;
- setting the Executive's strategic incentive plan objectives for 2023/26;
- reviewing diversity related remuneration data;
- reviewing all employee remuneration, including a review of annual performance related remuneration;
- reviewing the Company's workforce performance management approach;
- reviewing the Company's employee survey results.

Note [Information regarding Directors and employees](#) to the financial statements sets out the Directors' remuneration for the year.

Remuneration Consultants

The Committee used MCR Consulting to assist with reviewing Executive remuneration.

Process

In determining Executive remuneration, the Committee adheres to a formal and robust procedure. The Committee is comprised entirely of independent Non-executive Directors who determine Executive remuneration in accordance with a policy that has been set by the Board. Remuneration is set within the scope of the Company's total annual budget. Prior to approving the annual budget, the Board seeks comments from the Panel and BSC Parties.

The remuneration of the Non-Executive Directors is determined by the non-conflicted Directors (the Executive Director and the Company Chair). The level of remuneration reflects the time commitments and responsibilities of the role as well as taking into account the need to attract and retain individuals with the necessary skills and experience. Directors' fees are benchmarked periodically taking into account the fees paid by comparable organisations.

Report of Transformation Committee

The Transformation Committee is chaired by David Titterton. The other members of the Transformation Committee are Sara Vaughan and Devrim Celal. Regular attendees also include the CEO, CFO and Chief Technology Officer.

Purpose

The purpose of the Committee is to:

- provide oversight of significant technology change; and
- approve investments, contracts and changes that fall within the scope of parameters set by the Board, and to make recommendations to the Board in relation to matters that are reserved to the Board.

Report

The Committee's work has included:

- monitoring of the delivery of the Kinnect and Helix Programmes including cost, time, quality and outcomes;
- specifically, in relation to Helix, monitoring the impact of the MHHS re-plan on the programme, including the impact on the Company's technology change budgets, resource demand and reputational risk;
- reviewing the Company's strategy for future significant technology investments, its sourcing strategy and key supplier relationships;
- approval of investment proposals, and contracts, for both the Kinnect and Helix Programmes;
- reviewing the risk profile of significant technology change;
- monitoring the resourcing needs of significant technology change; and
- internal and external assurance of significant technology change.

Independent Auditor's Report to members of Elexon Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's and the Parent Company's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Elexon Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2024 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Group and the Parent Company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and corporation tax.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Groups and the Parent Company policies and procedures relating to:
 - o Detecting and responding to the risks of fraud; and
 - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and;
- Evaluating management's controls designed to prevent and detect irregularities.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

4FB34D873A17477...

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

12 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated profit and loss account

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
<u>TURNOVER</u>		
Cost of sales	117,235	99,419
	<u>(117,900)</u>	<u>(99,848)</u>
<u>OPERATING RESULT</u>	(665)	(429)
<u>Interest and similar income</u>	<u>665</u>	<u>429</u>
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXATION	-	-
<u>Tax on result from ordinary activities</u>	<u>-</u>	<u>-</u>
RESULT FOR THE FINANCIAL YEAR	<u>-</u>	<u>-</u>
Retained result brought forward	-	-
Retained result carried forward	<u>-</u>	<u>-</u>

There are no movements in reserves, shareholder's funds, or any other recognised gains or losses and consequently no Statement of changes in equity, Statement of comprehensive income or retained earnings have been presented.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company, Elexon Limited, is not presented as part of these financial statements. The parent Company's result for the financial year was £nil (2023: £nil).

The [Notes](#) form part of these financial statements.

Consolidated balance sheet

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
FIXED ASSETS		
Tangible fixed assets	302	229
Intangible fixed assets	-	-
	302	229
CURRENT ASSETS		
Debtors	196,029	229,471
Cash at bank and in hand	350,010	493,826
	546,039	723,297
CREDITORS: amounts falling due within one year	(546,341)	(723,526)
NET CURRENT LIABILITIES	(302)	(229)
TOTAL ASSETS LESS CURRENT LIABILITIES	-	-
NET ASSETS	-	-
CAPITAL AND RESERVES		
Called up share capital	-	-
SHAREHOLDER'S FUNDS	-	-

The [Notes](#) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2024.

Signed on behalf of the Board of Directors

Company Registration Number; 03782949

Sara Vaughan

Sara Vaughan (Jun 12, 2024 16:37 GMT+1)

Sara Vaughan

Director

Company balance sheet

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
FIXED ASSETS		
Tangible fixed assets	302	229
Intangible fixed assets	-	-
Investment	-	-
	302	229
CURRENT ASSETS		
Debtors	5,868	5,419
Cash at bank and in hand	13,101	14,569
	18,969	19,988
CREDITORS: amounts falling due within one year	(19,271)	(20,217)
NET CURRENT LIABILITIES	(302)	(229)
TOTAL ASSETS LESS CURRENT LIABILITIES	-	-
CREDITORS: amounts falling due after more than one year	-	-
NET ASSETS	-	-
CAPITAL AND RESERVES		
Called up share capital	-	-
SHAREHOLDER'S FUNDS	-	-

The [Notes](#) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2024.

Signed on behalf of the Board of Directors

Company Registration Number; 03782949

Sara Vaughan

Director


Sara Vaughan (Jun 12, 2024 16:37 GMT+1)

Consolidated cash flow statement

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Operating activities		
<u>Net cash outflow from operating activities</u>	(144,230)	(48,081)
Returns on investments and servicing of finance		
<u>Interest received</u>	<u>665</u>	<u>429</u>
Net cash inflow from returns on investments and servicing of finance	665	429
Capital expenditure and financial investment		
<u>Payments to acquire tangible fixed assets</u>	<u>(251)</u>	<u>(263)</u>
<u>Payments to acquire intangible fixed assets</u>	<u>-</u>	<u>-</u>
<u>Receipts from sales of tangible fixed assets</u>	<u>-</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment	(251)	(263)
<u>Decrease in cash and cash equivalents for the year</u>	<u>(143,816)</u>	<u>(47,915)</u>

The [notes](#) form part of these financial statements.

Notes to the financial statements

Accounting Policies

The financial statements are prepared in accordance with United Kingdom law and Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. They have all been applied consistently throughout the year, and to the preceding year.

The particular accounting policies adopted are described below.

Basis of accounting

Elexon Limited is a private company, limited by shares and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on [page 2](#). The nature of the Company's operations and its principal activities are set out in the [Strategic Report](#).

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The financial statements cover the reporting period 1 April 2023 to 31 March 2024.

The functional currency of Elexon Limited is in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Elexon Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to presentation of a profit and loss and cash flow statement.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries.

Basis of preparation

Arrangements are in place to manage financial risk, as stated in the [Strategic Report](#). As a result, the Board considers that there is a reasonable expectation that the Company will continue in operating existence for the foreseeable future and has therefore used the going concern basis of accounting in the preparation of the financial statements. Please refer to the [Directors' Report of Going Concern](#), [Viability Statement](#) and the [Strategic Report](#) for further information.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost, together with any incidental cost of acquisition.

Depreciation is calculated on a straight-line basis over the useful life of the tangible fixed assets. The estimated useful life used for the purpose of these financial statements is:

Fixtures and fittings:	4 years
Office and IT equipment:	3 years
Operational assets – metering equipment:	10 years

Intangible fixed assets

Previous software developments costs have been recognised as intangible fixed assets and are stated at original cost, together with any incidental cost of acquisition. Amortisation is calculated on a straight-line basis over the useful life of the intangible assets. The estimated useful life used for the purpose of these accounts is three years which is the development cost of the asset.

Recognition of revenue

The financial statements have been prepared on the basis of revenue and cost incurred in the year, which are considered to reflect the services provided in the year relating to BSC Parties under the terms of the BSC. Income is therefore recognised over the periods necessary to match it with the related costs which it is intended to compensate on a systematic basis.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated or reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term. Rent free periods are spread over the lease term on a straight-line basis.

Pension and other post-retirement benefits

As described in the [pension scheme](#), the Group contributes to the NGET section of the Electricity Supply Pension Scheme (ESPS), a defined benefit scheme. The Group is currently unable to identify separately its share of NGET's section of the Scheme's underlying assets and liabilities and, accordingly, contributions are accounted for as if it were a defined contribution scheme.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as accruals or prepayments in the balance sheet.

Related party transactions

In line with Financial Reporting Standard 102 section 33 (Related Party Disclosures), the Company is not required to disclose transactions with wholly-owned subsidiaries.

Debtors and Creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit or loss in other operating expenses.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements to determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance unit.

Group Turnover

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
BSC Section D charges	110,595	93,838
EMR operational levy funded income	6,635	5,569
Other Income	5	12
	117,235	99,419

Turnover in the year primarily represents amounts due from BSC Parties under the terms of the BSC. There is a reconciliation which charges/credits the difference between amounts invoiced to each BSC Party relating to the financial year and the amount due from each BSC Party under the terms of the BSC. Any difference is deferred or accrued as appropriate.

All turnover arises from activities in the UK.

Information regarding Directors and employees

The remuneration of Group Directors for the year ended 31 March 2024 is set out below:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Directors' remuneration		
Emoluments (including benefits in kind)	880	726
Remuneration of the highest paid director:		
Emoluments (including benefits in kind)	306	222

The Directors received benefits of £4,000 from Elexon in 2024 (2023: £4,000). None of the Directors hold any shares or share options in the Company.

Information regarding employees is shown below.

	Year ended 31 March 2024	Year ended 31 March 2023
Average number of persons employed	241	241
Staff costs during the year (including Directors)	£'000	£'000
Wages and salaries	17,245	16,175
Social security costs	1,949	1,888
<u>Pension costs</u>	1,562	1,478
	20,756	19,541

Operating result

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Group Operating result is stated after charging		
<u>Fixed Assets Depreciation</u>	178	192
<u>Amortisation of Intangible</u>	-	6
<u>Operating lease rentals</u>		
– land and buildings	2,056	2,007
– plant and machinery	20	17
<u>Fees payable to the Company's auditor for the audit of the Company's accounts</u>	135	125
Total non-audit fees (tax, assurance and accounting advice)	7	7

Audit fees

Group audit fees payable to BDO LLP were £134,830 (2023: £124,840) of which £95,512 (2023: £88,440) relates to the Company.

Interest receivable and similar income

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Bank interest	665	429

Tax on result from ordinary activities

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
United Kingdom corporation tax at 19% based on the result for the year	-	-

Tangible fixed assets

Group and Company

	Operational assets/Meter Equipment	Office Equipment and Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2023	496	1,601	1,517	3,614
Additions	-	12	239	251
Disposals	-	(5)	(95)	(100)
At 31 March 2024	496	1,608	1,661	3,765
Accumulated depreciation				
At 1 April 2023	496	1,566	1,323	3,385
Charge for the year	-	27	151	178
Disposals	-	(5)	(95)	(100)
At 31 March 2024	496	1,588	1,379	3,463
Net book value				
At 31 March 2024	-	20	282	302
At 31 March 2023	-	35	194	229

Intangible fixed assets

Group and Company

Amortisation charged for the year relates to our finance reporting software which went live in April 2019. The software enables improved operational efficiency and access to structured data in a timely and efficient manner. The Board solution, which was purchased in 2018/19, has a carrying amount as at 31 March 2024 of nil.

These assets were capitalised because they will bring future economic benefit and ensure the stability of the central systems and will mitigate the risks of failure and overall deliver better value for money to BSC parties.

		Intangible assets
		£'000
Cost		
	At 1 April 2023	6,212
	Additions	-
	Disposals	-
	At 31 March 2024	6,212
Accumulated amortisation		
	At 1 April 2023	6,212
	Charge for the year	-
	Disposals	-
	At 31 March 2024	6,212
Net book value		
	At 31 March 2024	-
	At 31 March 2023	-

Investments

Company investments at cost were £3 at 31 March 2024 (2023: £179).

Debtors

	Group		Company	
	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Trade debtors	203	131	9	131
EPG scheme	3,334		3,334	
Trading Party balances	188,875	222,065	-	-
Taxation and social security	-	625	-	625
Interest receivable on security deposits	1,434	2,400	-	-
Prepayments and accrued income	2,160	4,243	2,502	4,656
Other debtors	23	7	23	7
	196,029	229,471	5,868	5,419

ELEXON LIMITED

£188,874,835 (2023: £222,064,574) of the Trading Party balances represents amounts due from trading parties under Section N of the BSC for the 31 days of trading from 1 March 2024 to 31 March 2024. An amount of £188,874,834 (2023: £222,064,573) is included in [Creditors: amounts falling due within one year](#). Total debtors includes an amount of £3,334,161 owing in respective of the EPG scheme.

Cash at bank and in hand

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Cash at Bank	14,087	15,311
Security Deposits	335,855	478,091
Pre-payment of trading charges	68	424
	350,010	493,826

Group cash of £350,010,316 (2023: £493,825,773) includes security deposits of £335,855,072 (2023: £478,090,877) lodged by Trading Parties with Elexon Clear under Section M of the BSC which also includes an amount of £2,587,752 (2023: £918,009) in respect of interest received on security deposits for subsequent disbursements to the Trading Parties in accordance with the BSC. £67,845 (2023: £423,854) of group cash at bank represents advance payments by trading parties for their trading balances. Amounts lodged as security deposits are the absolute property of Elexon Clear but can only be used as credit cover for trading balances as set out in the BSC. The BSC also sets out the limited instances whereby security deposits are repaid to Trading Parties.

Company cash of £13,100,624 (2023: £14,568,621) comprises of cash at bank only.

Creditors: Amounts falling due within one year

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000	£'000	£'000
Security deposits lodged by Trading Parties and Interest on Security deposits	335,855	478,091	-	-
Pre-payment of trading charges	68	424	-	-
Trade creditors	1,491	3,728	1,384	3,672
EPG scheme	3,334	-	3,334	-
Trading Party balances	188,875	222,065	-	-
Accrued interest on security deposits	1,434	2,400	-	-
Taxation and social security	792	451	722	450
Other creditors	179	156	179	157
Accruals and deferred income	14,313	16,211	13,652	15,938
	546,341	723,526	19,271	20,217

Trading Party balances represent amounts due to trading parties under Section N of the BSC for the 31 days of trading from 1 March 2024 to 31 March 2024. Security Deposits lodged by Trading Parties represent amounts lodged by Trading Parties with Elexon Clear Limited under Section M of the BSC which also includes an amount of £2,587,752 (2023: £918,009) in respect of interest payable on the security deposits. Total creditors includes an amount of £3,334,161 to be paid in respect of the EPG scheme.

Called up share capital

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Authorised:		
100 Ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
One Ordinary share of £1	1	1

Financial commitments**Operating lease commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000	£'000	£'000
Leases which expire:				
- within one year	2,044	2,049	2,049	2,049
- between one and five years	4,783	6,842	4,783	6,842
- after five years	-	-	-	-

Operating lease commitments relate to land and buildings.

The lease of our office premises at 350 Euston Road currently runs until 1 August 2027. As we approach this date, we are building up a picture of our space requirements, market conditions, negotiating stance and the relevant costs of follow-on (or new) arrangements, together with the cost of any dilapidations payable on the existing lease if exited. Any costs relating to such changes, should there be any, have not been recognised in these financial statements as at 31 March 2024, since at this stage, we cannot reliably measure the costs or determine the likelihood of vacating the property. Our approach is in line with the requirements of FRS 102, which stipulates that provisions should only be recognised when there is a present obligation, the outflow of resources is probable, and the amount can be estimated reliably. We'll continue to monitor the situation and will recognise these costs in our financial statements when we can measure them with sufficient reliability.

Ultimate Parent Company

Elexon is wholly-owned by NGESO. The ultimate parent entity of NGESO is National Grid plc. Please refer to note [Subsequent events](#).

The Directors are of the opinion that, under Financial Reporting Standard 102 (Accounting for Subsidiary Undertakings), the financial statements of Elexon do not require consolidation within the financial statements of National Grid plc group. Under Section C of the BSC, NGESO is prohibited from consolidating the financial results of Elexon or its subsidiaries with its own or with any of its affiliated entities.

Related Party transactions

There were no related parties' transactions this financial year (2023: nil).

Pension scheme

The total pension cost for the year ended 31 March 2024 from all schemes comprised regular contributions of £1,561,784 (2023: £1,478,151). At 31 March 2024, there were no pension liabilities (2023: nil).

Defined benefit scheme

As of 31 March 2024, 4% (2023: 4%) of the Group's employees were members of NGE's section of the Electricity Supply Pension Scheme ('ESPS'), a defined benefit scheme. The ratio has reduced and is diluted as the number of staff employed has increased and this pension scheme is closed to new joiners. The assets of the Scheme are held in a separate trustee administered fund. The Scheme is divided into sections, one of which relates to NGE. NGE's section of the scheme provides final salary defined benefits and was closed to new

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entrants on 1 April 2006. The Group's pension contributions are determined on a section-wide basis as advised by the actuary and are fully expensed in the Profit and Loss Account.

For the scheme year 2023/24, Elexon incurred employer pension contribution costs of £299,762 (2023: £325,764) for its defined benefit scheme no contribution was made in 2023/24 (2023: nil) towards the deficit repair.

The ESPS, in accordance with the Pensions Act 2004, is subject to a full actuarial valuation every three years. An annual review is also performed every year. The last valuation (completed in September 2023) set out the position as at 31 March 2022. The results of the new actuarial valuation are expected in September 2025. The actuary used is Aon Hewitt Limited. The results of this actuarial valuation have been used as the basis for assessing pension costs. In summary, the results of the last full actuarial review available showed that as at 31 March 2022:

- the total assets of the NG Scheme were £3,363.3m
- liabilities i.e. the cost of providing the pensions/benefits were £3,423.2m
- the deficit was therefore £59.9m, a decrease of £177.5m from the deficit of £237.4m identified in the previous 2019 valuation. The NG Scheme assets were calculated as being sufficient to meet 98.2% of its accrued liabilities (at the previous 2019 valuation assets, were sufficient to meet 93.0% of accrued liabilities)

The main reasons for the deficit are;

- Negative returns on the Group's return seeking assets
- The changes to financial assumptions principally due to a reduction in the real yields on index linked gilts which have worsened the position (although the increase in liabilities is partly offset by an increase in the value of the Liability Driven investment asset); and
- Company contributions which have mitigated the position.

Following the last review, employers' contribution is 42.3% (twice members' normal contributions, 2 x 8%, plus 26.3%). Elexon's share of the Deficit Repair is nil per month to 31 March 2024 (2023, nil).

Defined contribution scheme

Since 1 September 2006, all new permanent employees have only been offered the option to join a new Elexon Pension Scheme. The Elexon Pension Scheme is a defined contribution Group Stakeholder Pension Plan. Elexon matches employee contributions on a two for one basis to a maximum of 12% of basic salary. All eligible staff were auto enrolled. In the scheme year of 2022/23, Elexon incurred employer's contribution costs of £1,223,589 (2022/23: £1,112,406) for its defined contribution scheme.

Additional information on subsidiary undertakings

Subsidiary undertaking	Country of registration	Activity	Portion of ordinary shares held %	Physical Address
Elexon Clear Limited	England and Wales	Legal counterparty to balance and imbalance transactions per the BSC	100	4th Floor 350 Euston Road London
BSC Co. Limited	England and Wales	Dormant	100	
EMR Settlement Limited	England and Wales	Undertakes settlement functions for Electricity Market Reform	100	

The results of all of the above entities are included within the consolidated financial statements.

BSC Co. Limited [03837126] has taken advantage of the S448a exemption from preparing individual accounts as it is a dormant entity, and the directors of this company are exempt from the requirement to deliver a copy of the company's individual accounts to the register.

Reconciliation of operating result to net cash flow from operating activities

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Operating result	(665)	(429)
Fixed Assets Depreciation	178	192
Amortisation of Intangible	-	6
Decrease in debtors	33,442	96,282
Decrease in creditors	(33,627)	(95,647)
Decrease in trading deposit	(143,558)	(48,485)
NET CASH FLOW used in OP. ACTIVITIES	(144,230)	(48,081)

Reconciliation of net cash flow to movement in net cash

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Net cash at 1 April	493,826	541,741
Decrease in cash	(143,816)	(47,915)
Net cash at 31 March	350,010	493,826

Subsequent Events

- The government and Ofgem have committed to proceed with the creation of a new independent Future System Operator (FSO) covering gas and electricity markets. They have concluded that the most effective model for realising this vision is to establish the FSO as a public corporation, with operational independence from government and that the NGESO should form the FSO. Elexon's shares are owned currently by the NGESO, and the FSO transition would therefore impact Elexon. Government and Ofgem have published their response on the future ownership of Elexon. Elexon is currently owned by National Grid and our ownership model needs to change as part of the transition to the Future System Operator Model. The decision is that Elexon will remain in industry ownership, with the 13 largest energy suppliers and generators being mandated to take on shares in Elexon. There was wide-spread support among BSC stakeholders for retaining the industry ownership model for Elexon. We look forward to working with Government, Ofgem and the industry to transition smoothly to the new arrangements.
- Elexon has been appointed by the Department for Business and Trade (DBT) to administer a new scheme for Energy Intensive Industries in Great Britain, to compensate holders of EII certificates on the cost of network charges on their electricity bills. The scheme is one of three measures that have been introduced under the Government's British Industry Supercharger scheme, which aims to further increase the competitiveness of British companies in Europe and support development of the green economy in the UK. Elexon has also signed an agreement with DBT to receive a loan of £1.5m in 2024-25 to fund the system build costs to enable the administration of the scheme (£653,090 received in April 2024).