



BSCCo  
Business Plan  
2016/17

**Welcome** to the Balancing and Settlement Code Company (BSCCo) Business Strategy and Annual Budget for 2016/17. Part One is our Business Strategy describing our priorities and major activities, while Part Two is our Annual Budget.

## 01

# Foreword

By Mark Bygraves, Chief Executive

'Delivering the core BSC services lies at the heart of the BSCCo Business Strategy'. This statement applies to the past equally well as it applies to the future, and I hope that it is a mantra that comes through in the strategy we have developed for 2016/17. As always, there's a lot for us to do. In addition to keeping Settlement up and running 24 hours a day, 7 days a week, 366 days (in the case of 2016) a year, we have an obligation to keep abreast of industry change, contributing to significant pieces of work such as Ofgem's smarter markets work, Settlement reform, European developments and the Competition and Markets Authority's investigation. We provide support to new entrants, act as a source of expertise for the industry and, where appropriate, stimulate discussion and debate through workshops, the Annual BSC Meeting and joint initiatives with colleagues from across the industry. We must also ensure that our systems and processes are robust, flexible and reliable so that BSC Parties know they can rely on us not only today, but also in the future.



Our Business Plan for 2016/17 should, very intentionally, have a similar look and feel to those adopted in previous years. As with previous incarnations, it sets out a plan for how the BSCCo will, over the forthcoming year, fulfil its core obligations of delivering the BSC services, maintaining the BSC and its associated systems and processes and providing support to the BSC Panel to enable it to fulfil its own set of obligations and deliver against its own strategic workplan of priorities.

I am acutely aware that we are working in an industry that is under financial pressure, and that BSCCo must play its part in ensuring efficiency, value for money and keeping costs as low as possible but without putting the ongoing delivery of the BSC arrangements at risk. Despite the

additional BSC activities we will be undertaking in 2016/17, I am pleased that this budget is lower than the target 2015/16 budget. For the year ahead, we will concentrate on stabilising our systems to reduce costs, increase flexibility, reduce the cost of change, mitigate the risks of failure and overall drive improvements to services and improve value from our BSC Agent contracts. This work will require some upfront investment, but will deliver savings in excess of £1m per annum from next year.

Whilst our clear focus remains on delivering the core and ensuring value for money and efficiency across all our activities, we have listened to feedback from customers and stakeholders and ensured that the strategy is reflective of (and capable of delivering against) an increasing need for the BSC to evolve with the flux and change going on in the industry around us.

I believe that the BSCCo Business Strategy we have developed is challenging and stretching, yet realistic and achievable. It is one that aims to deliver a service that BSC Parties value, and one that marks us out as a leader in the world of Code Administrators and delivery bodies, and I look forward to continuing to work with my colleagues from both within ELEXON, the BSC Panel and across the industry to deliver it.

## EMR Settlement Limited

ELEXON's subsidiary company, EMR Settlement Limited, performs the roles of EMR Settlement Services Provider for Contracts for Difference (CfD) and the Capacity Market (CM). All costs and liabilities associated with this work are ring fenced and kept separate from BSCCo's activities and budget (and so are deliberately excluded from this BSCCo Business Plan). However, BSC Parties have been, and will continue to, benefit financially from our involvement in EMR through the offsetting of existing BSC overhead costs and a consequent reduction in overheads charged to BSC.

## Michael Gibbons CBE, Chairman

Governance lies at the heart of much of my work as BSC Panel and BSCCo Chair, so it will come as no surprise that I've kept a particularly close eye this year on the governance and



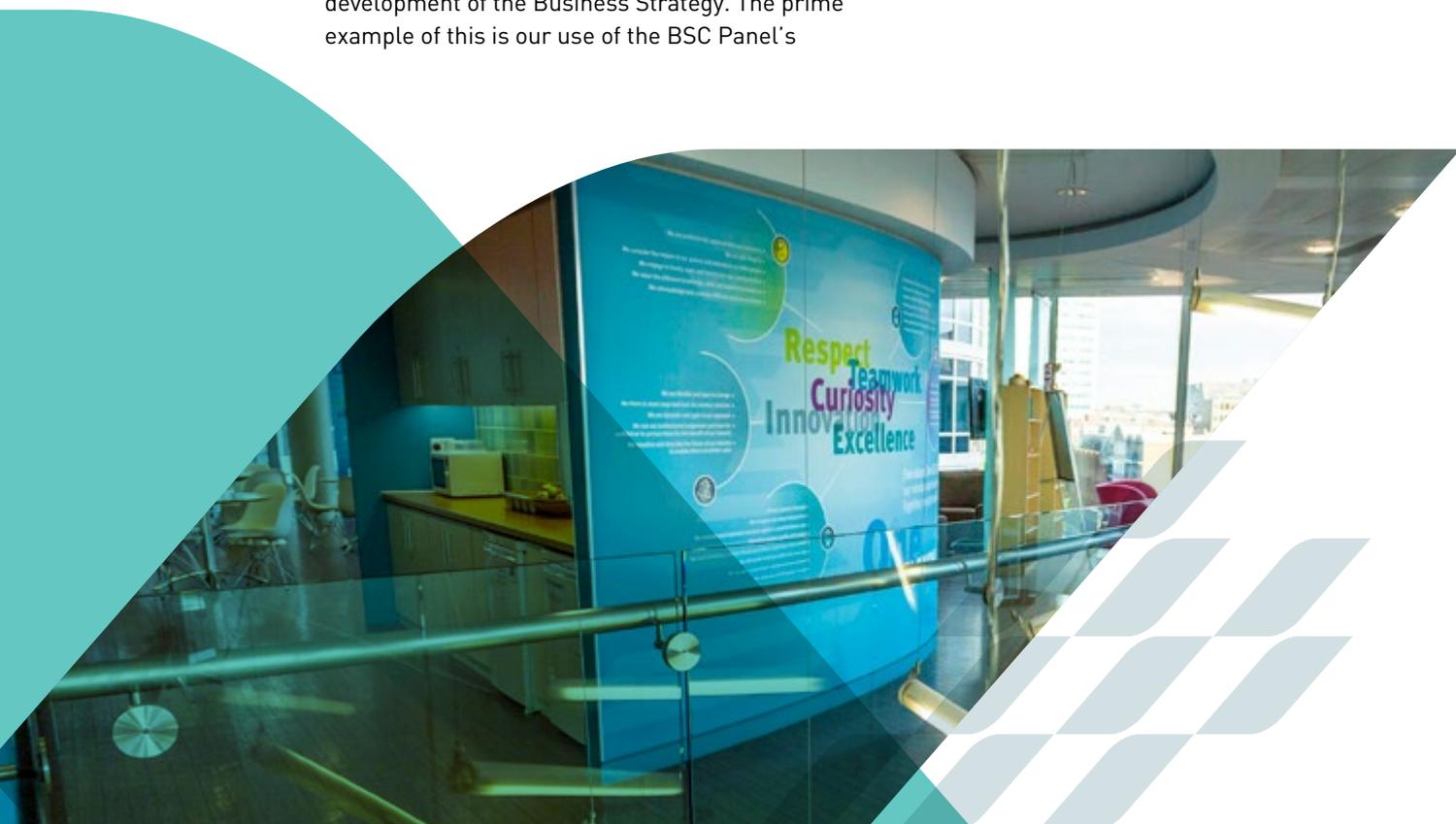
Code requirements that sit behind the business planning cycle. Over the past year, the BSCCo Board and BSC Panel worked in collaboration to define potential reforms to the governance of the BSCCo to introduce, amongst other things, clarity in the relationship between the BSCCo Board and BSC Panel. I'm encouraged that this initial 'straw man' is being progressed via a modification to the Code, and that a second modification addressing governance issues has also been raised.

Mindful of the direction of change that our governance is moving in and the clear intentions of these Modification Proposals to reform BSCCo's governance, we have tried wherever possible to incorporate elements of the 'best practice' the modifications are seeking to implement into the development of the Business Strategy. The prime example of this is our use of the BSC Panel's

own strategy and work-plan as a starting point when formulating the BSCCo Business Strategy. This BSC Panel Strategy also reflects Ofgem's recommendation that industry panels produce their own forward looking work-plans.

At the heart of the 2016/17 BSCCo Business Strategy is a commitment to maintain our focus on delivery of the core BSC services, whilst also ensuring that both we and the BSC remain alert and flexible for potential change arising from industry developments. We also give an overarching assurance that we will strive to offer value for money through efficient, economic and effective delivery of all that we do.

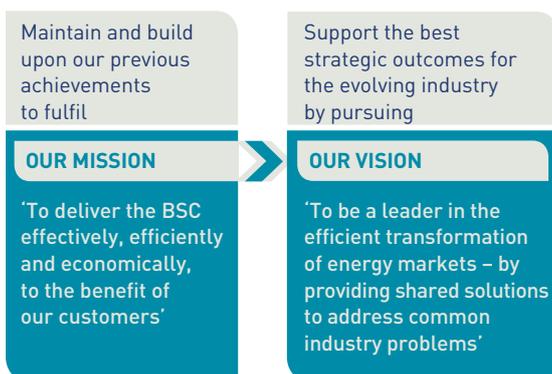
Both the Panel and BSCCo are coming to the end of a busy year and, as documented by this strategy, have another busy year ahead. As we turn our mind to 2016/17, I'd like to take this opportunity to thank my colleagues within ELEXON, the BSC Panel, the Panel Committees and the raft of industry members who contribute to various expert working groups for their continued commitment and dedication to the delivery and operation of the BSC.



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# Review of 2015/16 Business Strategy

Our 2015/16 Business Strategy was a continuation of the one we've been following since 2011/12. The plan focussed on seeking improvements in our management of the BSC whilst horizon scanning for issues beyond the BSC that may have an impact on (or require changes to) the settlement processes. It was based on our mission and vision, firmly grounded in maintaining our expert delivery of the core BSC services, whilst also including provision for us to investigate approaches to manage and, where appropriate, change or replace the BSC systems' architecture and data provision.



Throughout 2015/16, our activities focused around our five strategic priorities.

- PRIORITY 1**  
Actively manage, and continually improve, BSC services to ensure that we deliver in an efficient, effective and economic way.
- PRIORITY 2**  
Drive efficiencies and savings in our operation of the BSC.
- PRIORITY 3**  
Improve the customer experience and develop richer customer relationships.
- PRIORITY 4**  
Develop BSC services to address industry challenges.
- PRIORITY 5**  
Invest in our people for the benefit of the industry.

A summary of some of our 2015/16 activities is set out below. For more detail on our operation, implementation and administration of the BSC throughout the year please refer to our [quarterly reports](#).

### Actively managing and continually improving BSC services

Last year, for the first time, we worked with the BSC Panel and Panel Committees to develop a work programme of issues that the Panel and committees would base their work on for the next three years. This work programme was used as the starting point of the BSCCo Business Plan, so the bulk of areas identified for improving BSC services were priorities of the BSC Panel.

Significant areas of work included the progression of a number of Modifications to the BSC to amend cash-out and to mandate Half Hourly Settlement for profile classes 5-8. We also worked with the PAB to focus its assurance activities on areas identified by the BSC Auditor as requiring attention, including commissioning, CT ratios, proving tests and change of measurement class. In addition, we worked with the BSC Panel and BSCCo Board to progress improvements to the governance arrangements. This work was initially prompted by the findings of the Knight Report. Over the past year the BSC Panel has reviewed its own governance arrangements and worked with the BSCCo Board to identify an improved BSC Governance regime. Implementation of both of these pieces of work will continue into 2016/17.

### Driving efficiencies and savings in our operation of the BSC

We are always conscious of the fact that BSC Parties fund our activities, and that we have a responsibility to ensure value for money through controlled financial management, by delivering innovation in partnership with our service providers and by securing best value from our contracts and commercial relationships. Our 2015 customer survey results show that our customers' perception of our value for money is higher than ever before.

Although the need to stabilise central systems will put upwards pressure on our overall budget over the next 12 months and beyond, we still want to maintain and improve our delivery on value for money.

A significant proportion of the cost of delivering the BSC arrangements comes from contracted expenditure on the BSC Agents. This year, we undertook a review of our sourcing options in respect of two of our key outsourced contracts. As part of the review, we refined our requirements and re-negotiated our contractual arrangements, extending the existing Business Process Operate and Host (BPO) contract with CGI and transferring the Application Management and Development (AMD) services from Cognizant to CGI. This has enabled us to secure savings in excess of £2.7m over three years. These costs savings will be passed directly on to BSC Parties.

BSC Parties have also benefitted financially from our provision of EMR settlement services through the offsetting of existing BSC overhead costs and a consequent reduction in overheads charged to BSC.

**Improving the customer experience and developing richer customer relationships**

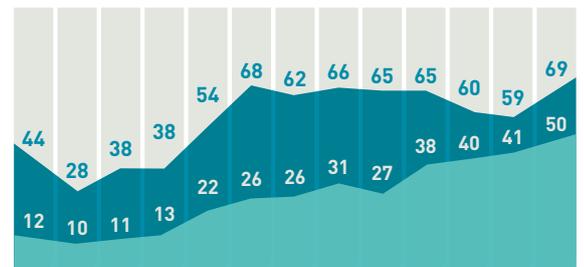
Our customer base is broad and varied, so we aim to flex the services we provide to suit the needs of all our customers. Throughout 2015, we placed a particular focus on extending our senior level executive engagement. Our executive team’s aim was to engage in strategic conversations with our customers to gain a greater understanding of their requirements of the BSC and BSCCo and how they might like to see our services developed. Each executive team member has also been assigned responsibility for a Panel Committee which they regularly attend in order to increase their oversight of the issues affecting some of our key stakeholders – our Panel Committee members.

Our provision of training has always been well received and valued by our customers. In direct response to customer feedback, we have started to roll out a suite of online training sessions in order to make training on frequently queried areas more widely available. However, this has not been at the expense of face-to-face interaction; we continued to make our experts available to the industry via introduction seminars, tailored education sessions and extensive support to a range of new entrants.

In response to feedback from our customers we’ve also made improvements to our website – in particular through the introduction of a new, more intuitive search function.

We carry out an annual customer survey to formally check how our customers rate the service we provide, and we’re delighted that in 2015 we received one of our most positive set of results ever, with 69% of those asked rating their overall satisfaction as 8+ out of 10.

**OVERALL SATISFACTION AND VALUE FOR MONEY**



2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

SCORE 8+ (Out of 10)

1 = Not At All Satisfied/ 10 = Extremely Satisfied

1 = Poor/ 10 = Excellent Value For Money





### Developing Balancing and Settlement services to address industry challenges

Our industry continues to be characterised by change, and last year we maintained our watching brief over key areas of change, providing guidance to the BSC Panel and support to the industry. For example, we contributed to the CMA investigation, Ofgem's Smarter Markets, kept abreast of EU issues via our presence on the Market European Stakeholder Committee, co-hosted an industry information day on European harmonisation of the imbalance settlement period and, at Ofgem's request, took on the role of chairing and leading on the cross-code working group tasked with delivering a report to Ofgem on remedies to address data quality issues. This year ELEXON has developed thinking with industry to develop changes to encourage greater take up of elective HH Settlement. Next year we will work with Ofgem and industry to develop the long-term goal for mandated HH Settlement.

In addition, in May 2015 DECC extended our existing contract to provide the Warm Homes reconciliation service by up to an additional two years. This is a real example of ELEXON using its skills and expertise more widely than the original constraints of the BSC for the benefit of BSC Parties and the wider industry. We expect that BSC Parties

and the regulator will want to identify more such areas where we could apply our skills, data and knowledge for the benefit of customers and the wider industry, and the amendment of National Grid's Transmission Licence in May 2015 to remove the previous constraint on BSCCo undertaking new activities provides scope for this.

### Investing in our people for the benefit of industry

Our people are at the heart of our business, and the service that we provide to our customers and stakeholders is defined by the expertise and knowledge of our people. Our customers regularly tell us how highly they rate our people, so it's vital that we invest in their skills and development, as well as in retention and recruitment, to ensure that we maintain a workforce of people who are experts in their field.

Last year we continued to promote learning and development through a mix of externally delivered performance training, opportunities in new areas (e.g. EMR), knowledge transfer and colleague mentoring. We assessed staff policies to ensure they remained relevant and effective, and undertook a comprehensive salary review to ensure that our remuneration packages are comparable with the rest of the industry.

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# Our Strategic Priorities for 2016/17

The BSCCo Business Strategy and Budget (which in combination form the Business Plan) are constructed around a set of strategic priorities. These priorities should represent the BSCCo's response to the challenges and opportunities facing our customers and the wider industry, based on an assessment of a range of factors, including:

- our customers' views and expectations of our services
- market developments
- the evolving technology landscape
- our past achievements and results
- current economic conditions and outlook

This year, the BSCCo Board, in response to feedback from customers and stakeholders, has identified a need for enhanced services within the area of code administration and delivery. Whilst delivering an economic, reliable core service has, and always will, be ELEXON's primary aim, we are becoming aware of an increasing need and demand for us to move from a passive, rules-based service to an intelligent, value adding support service that provides proactive opinion and industry leadership.

In addition, the BSC Panel has been clear in developing its own strategy and 2016/17 work plan that acknowledges, while cost reductions in previous years has been admirable, there may be a need for central costs to rise. In particular, the Panel has requested that the BSCCo's Business Strategy and Budget provide the capability for operations to be scaled up to support the roll-out of smart metering and the potential additional work that is likely to arise from the increased level of change in the market; and to address issues that may arise during this period of significant flux.

Our Business Plan for 2016/17 will be based on our mission and vision, with the mission refreshed to include scope for evolving the BSC to respond to industry requirements:

Maintain and build upon our previous achievements to fulfil

## OUR MISSION

'To deliver and evolve the BSC effectively, efficiently and economically, to the benefit of all our customers and stakeholders'

Our vision remains unchanged:

Support the best strategic outcomes for the evolving industry by pursuing

## OUR VISION

'To be a leader in the efficient transformation of energy markets by providing shared solutions to address common industry problems'

The business plan is designed to focus on delivering the core BSC services, whilst being ready to respond in a well-planned and strategic manner to additional challenges that are beyond our control. Our activities that we plan on undertaking are split into four key areas of focus, or strategic priorities:

1. **Delivery:** Actively manage our services to ensure that we deliver in a reliable, economic and efficient way.
2. **Engagement:** Improve the customer experience and develop richer customer relationships.
3. **Improvement:** Enhance and evolve our services to support industry changes and the development of the energy market.
4. **Capability:** Invest in our people for the benefit of the industry.

#### Developing our business plan

The BSC Panel has an objective to give full and prompt effect to the BSC so as to achieve the Applicable BSC Objectives in a transparent, economic, efficient and non-discriminatory way. It also has a general responsibility to keep informed of issues that fall outside the direct governance of the BSC and assess (and take steps to address) any impact in a coordinated way.

With these obligations in mind, ELEXON has worked with the BSC Panel and Panel Committees to develop a work programme of issues that the Panel and its committees will base their work on over the next three years. This work programme has been used as the starting point for the BSCCo Business Plan.

#### Delivery: Actively manage our services to ensure that we deliver in a reliable, economic and efficient way

Delivering BSC services that our customers trust, can rely on and have confidence in – and securing best value for these services – is at the core of what we do. We remain absolutely committed to delivering the BSC and to working with the BSC Panel and its committees to provide them with the support and analysis they need to fulfil their responsibilities on behalf of BSC Parties.

Our aim is always to create additional value for our customers by improving and enhancing BSCCo services and driving down costs where sensible and appropriate. We want to deliver a service that exceeds our customers' expectations and makes their interactions with the BSC as easy as possible.

Our 2015 customer survey results show that our customers' perception of the value for money we offer is higher than ever. To maintain this, we must carry on striving to deliver value through a customer-focused service that is best-in-class. But efficiency is also a priority. While we maintain our commitment to continuously seek ways of improving services and implementing improvements, we are mindful of the need for a robust financial business case to justify each potential development.

Our contracted expenditure on the BSC Agents, and other contracted service providers, form a significant proportion of the costs of delivering the BSC arrangements, usually in the form of fixed costs. We will continue to regularly review all our contracts to ensure that we're achieving maximum value from contractual relationships, procuring the right services, and identifying and implementing potential service improvements.

**How we'll achieve this priority:****DELIVERY OF CORE BSC SERVICES**

## Delivery of the core BSC services

We will continue to focus on the effective and reliable delivery of core BSC services.

## Ofgem's review of Code Governance

Ofgem reviewed industry code governance in 2010 and 2013. However, with the anticipated scale of change required in the coming years, Ofgem has concerns that the arrangements may not be operating in the best interests of consumers. Ofgem believes it is timely to review the reforms it previously implemented and potentially introduce further reforms. This review was announced in Spring 2015 and is likely to take around a year to complete, with the potential for subsequent Modifications to the BSC to implement any recommended solutions and revisions to the current arrangements.

## Developing our BSC systems approach

Current systems' architecture is rooted in the last century; it is difficult and expensive to maintain and develop and its risk of failure is increasing. Given the high level of change forecast and in light of the rapidly evolving industry arrangements, improvements are needed to the BSC systems over the next five years. Key deliverables will include:

- mechanisms to continuously plan and maintain the design of central systems and processes
- mechanisms to facilitate the planning of system changes that meet industry needs and integrate with wider industry-driven change
- enhanced impact assessment processes.

## P305 monitoring

P305 implements the conclusions to the Electricity Balancing Significant Code Review, putting in place a single, marginal imbalance price, introducing Reserve Scarcity Pricing and introducing pricing for Demand Control actions. In addition to a post-implementation review of the impacts of P305, we will introduce ongoing BAU monitoring, supporting a wider, annual review in the lead up to the November 2018 reduction in PAR value.

## RESOLUTION OF KNOWN BSC ISSUES

## Credit

We will continue progressing changes to the existing credit provisions in order to offer greater flexibility and alternative methods for securing credit under the BSC.

## Metering

Key areas of concern raised in the most recent BSC Audit related to metering and data quality issues in the non half hourly market, including:

- **Errors in the capture of metered data:** The health of metering systems, including commissioning, in the half hourly market appears to be decreasing, leading to energy allocation errors between BSC Parties.
- **Proving tests:** Concerns have been raised over the proving test process (proving tests either not being performed, or results not being communicated to Data Collectors).
- **Change of Measurement Class (CoMC):** The Auditor's assurance work has continued to highlight problems with the CoMC process, largely due to issues with provision of information between Party Agents.
- **Meter reads and meter technical details:** This year's audit saw an increase in material audit issues related to inadequate provision of meter reads or meter technical details between Meter Operator Agents and Data Collectors.
- **Metering system faults:** Issues have been identified with metering system faults not being corrected, leading to backlogs, or correct data flows not being sent to BSC Parties and Party Agents.

## Dispensations and Codes of Practice

The Imbalance Settlement Group continues to be concerned by the high volume of metering dispensations. This encompasses both new applications and requests to extend long-standing dispensations where corrective action has not been progressed. The BSC Panel has suggested that it may be appropriate to address this issue via a review of the relevant Codes of Practice to ensure that they are fit for purpose.

**EFFICIENT WORKING PRACTICE AND COMMUNICATION BETWEEN PANEL COMMITTEES****Panel governance**

The BSC Panel has initiated a piece of work to consider its own governance to ensure that it remains fit for purpose and demonstrates best practice. This review, and implementation of agreed solutions, will continue into 2016/17, and includes implementation of changes to working practices and policies, and delegation of responsibilities.

**Flexible, efficient reporting**

Delivery of an efficient, coherent and secure reporting suite that will allow BSC Parties and the Panel and its committees to have direct and timely access to their own and market-wide public data, with services such as trend based reporting and an easy to use secure online interface. Such a reporting suite will transform the way that ELEXON provides data, reports to industry and the support that can be provided to the Performance Assurance Board.



## Engagement – Improve the customer experience and develop richer customer relationships

Our customer base is diverse. It includes large vertically integrated companies, small suppliers and generators, traders, National Grid, distribution network operators, regulatory and government agencies and consumer bodies. Such a broad range of stakeholders have an equally broad range of requirements and expectations. Our aim is to deliver a service that meets all of these needs and expectations. We want to make their interactions

with the BSC – a necessarily complex set of processes and documents – as simple as possible. It's our job to make it easy for our customers and stakeholders to navigate the complexity of the BSC.

Our business plan for 2016/17 reflects our aim of continuing to meet our customers' needs and fulfilling their requirements of us while, in parallel, acting as an independent critical friend. As always, we will seek feedback from our stakeholders on how well we're doing informally throughout the year as well as via a more formal measure of customer satisfaction through our annual customer survey.

### How we'll achieve this priority:

#### Best practice change provisions

The core provisions relating to Modifications under the BSC and those that set out the document architecture will be reviewed to ensure continued best practice in light of feedback from industry. Concerns to be addressed include:

- clarity of governance provisions for Modification Workgroups
- consideration of how recommendations are put to the Panel, how the Panel makes decisions, and the recommendations it makes to the Authority
- concerns that BSC provisions limit the development of Alternative Modification Proposals
- a desire to ensure there is clarity in the status of, and relationship between, BSC documents.

#### Review of BSC Document Architecture

We have identified a need (endorsed by the BSC Panel) to review the BSC Document Architecture in order to establish agreed principles underpinning the establishment, structure, content and maintenance of Code Subsidiary documentation.

#### BSC website review and improvement

Recognising that our website is one of the main conduits for us delivering our data provision obligations, and in response to feedback from customers, we will continue work on improving the ELEXON website, focusing on:

- improved access to key reports
- enhanced web-based reporting and analysis tools
- self-service reporting and analysis.

## Improved customer support provisions

We know that BSC Parties value our Operational Support Manager (OSMs) and we are keen that we continue to provide an OSM service that is best-in-class. In order to do this, we will continue to invest in the skills (both technical and 'soft') of our OSMs.

OSM-level engagement with our stakeholders will be complemented by a continued programme of senior-level engagement.

## Supporting new entrants

We will continue to provide support to new entrants into the market. As part of this role, we will consider the needs and requirements of different types of participants as market models evolve and adapt our services accordingly, with a particular focus on ensuring that we meet the need of new entrants who do not conform to traditional business models.

## Code Administration Code of Practice (Principle 13) and industry change co-ordination

We've identified areas where we believe we can add additional value to our code-administration provision, with key deliverables including:

- more coordinated identifying and reporting of cross-Code changes and impacts (including a forward view)
- new/improved interfaces with other Code Administrators to identify cross-Code changes
- new processes to agree lead Code Administrator on cross-Code changes
- Code co-ordination.

## Executive engagement

We will continue with our programme of executive engagement to enable senior level, strategic discussions between our customers and ELEXON's executive team.

## Industry days

We will foster debate and aim to increase understanding of key industry issues by hosting industry days and workshops.

### Code co-ordination

ELEXON has provided consultation responses and held discussions with the CMA and Ofgem regarding the role of Code Administrator. We will continue to seek to identify more effective ways of delivering the BSC code administration services as well as working with other code administrators for effective cross code changes. We led the way this year by bringing together other code administrators and developed a new Code Administration Code of Practice principle (Principle 13 - change co-ordination). To build upon this work we will work with the Panel to review the Panel and committee governance, review the change process and document architecture and how we present information. This will allow us to ensure we provide best-in-class code administration services. We will work with the Panel, Ofgem and other administrators to implement any other recommendations arising from the CMA findings and Ofgem's further review of code governance.

## Improvement: Enhance and evolve our services to support industry changes and the development of the energy market

While we draft the 2016/17 BSCCo Business Plan, we find ourselves once again in an industry characterised by unprecedented levels of change. Smart metering, European developments, market reform (particularly derived from the pending recommendations of the Competition and Markets Authority's investigation) and political and media

scrutiny are all contributing to the evolution of the industry. We must ensure that we are fully cognisant and mindful of these changes so that, where appropriate, we can contribute to the thinking behind them. We must ensure that the BSC reflects change, is robust to change and also that it doesn't obstruct or hinder the development of the energy market. We must also ensure that we are equipped to support the BSC Panel in fulfilling its responsibility to keep informed of issues that fall outside the direct governance of the BSC.

### How we'll achieve this priority:

#### European harmonisation

European Codes take precedence over our national codes and arrangements, with the potential for significant impact on the current trading arrangements. European Network Codes will be further developed and the GB market will need to assess what their implementation will mean for our arrangements.

We will continue to monitor the developments from Europe, particularly work to harmonise energy markets across Europe. It is important to ensure that the Panel is made aware of European developments via ELEXON's monitoring and updates. More widely, the Panel has a role in ensuring that appropriate support is co-ordinated within GB and that the BSC is ready to accommodate changes arising from European developments which have the potential to fundamentally impact market design and the balancing and settlement provisions.

#### Development of Smarter Markets

Ofgem's Smarter Markets programme incorporates Electricity Settlement Reform, Demand Side Response and Change of Supplier.

There are a wide range of implications arising from the move towards smart metering and smart grids that we must continue to monitor. These include:

- the practicalities and associated monitoring of mandated half hourly settlement for meters in Profile Classes 5-8
- impacts on residual non-half hourly provisions such as profiling
- impacts on settlement of increasing export spill volumes associated with Feed in Tariffs
- data quality arrangements and swifter change of supplier process to enhance competition (and, in particular, changes arising from Ofgem's significant code review)
- calls to reduce the Settlement timetable.

Work will continue to provide expert support to all aspects of the Smarter Markets Programme and to progress any necessary changes under the BSC.

#### Ofgem's Future Wholesale Market work

Ofgem is due to announce a way forward for its newly formed Future Wholesale Market work (replacing the Future Trading Arrangements work). The work is likely to take into account changes driven by, for example, the EU Network Code on Balancing, local balancing markets, demand side response and other smart grid driven market innovations.

This has the potential to create significant interaction and impact on the BSC arrangements as work progresses to address some of the challenges that the trading arrangements will face to remain fit for purpose and adapt to the changes triggered by government policy, EU reforms and market trends. BSCCo is likely to be required to play a key role in this – by supporting the group, contributing to industry-wide discussions, providing support during the development of solutions and implementing subsequent changes.

#### Competition Markets Authority investigation into the energy industry

The CMA has published its provisional findings and notice of possible remedies, to which the BSC Panel and BSCCo have written responses. The CMA may hold subsequent hearings or request additional information ahead of publishing its final findings in 2016. Following this, BSCCo and the BSC Panel will be in a position to assess the final remedies, prioritise actions and determine an appropriate set of work streams to progress the CMA's findings. Potential BSC impacts include:

- introduction of locational pricing for transmission losses.
- increased focus on introduction of a cost-effective HH settlement of domestic electricity meters
- potential for code administration to become a licensable activity.

#### Moving towards full HH Settlement

Through the Settlement Reform Advisory Group (SRAG) we are developing proposals to enable greater use of Half Hourly settlement through an elective process, these can be delivered in the next year. In addition, from numerous discussions with the CMA, DECC and Ofgem we see the need to support the ambition to deliver on full HH Settlement, which is a key deliverable in the Government's reset of energy policy. We will provide resources, analysis and expertise to Government and Ofgem to assist in delivering this ambition and will ensure we align the work of the Panel with any activity led by DECC and Ofgem.

#### Changing Risks and risk management

Changes in market design, including the introduction of Smart Metering and Electricity Market Reform, are likely to change the profile of risk across BSC Systems and Processes. It is important to ensure that appropriate assurance can be provided in relation to this changing risk profile. On behalf of the Panel, BSCCo will conduct a full review of the impacts of smart metering and EMR on the PAF.

The Panel has also requested that budgetary provision should be made to ensure that BSCCo has the capability to scale up activity to address any errors that may occur as a result of these changing risks (with a particular focus on risk-management post-Smart rollout).

#### BSCCo and BSC Panel governance

We will conclude work begun in response to the Knight Report to simplify and improve both the BSCCo and BSC Panel governance arrangements to ensure efficiency and provide clear accountability. Outputs will include:

- agreed accountability
- agreed working practices of a pro-active Panel/Panel Committees
- new reporting on change and the activities of Panel Committees.

#### Review of market entry and exit arrangements

The BSC Panel has identified a need to review the current market entry and exit arrangements. The review will consider whether the current arrangements are fit for purpose, reflective of working practices and whether they encourage and enable competition within the market, particularly within the context of non-traditional business models.

### Capability: Invest in our people for the benefit of the industry

Our most important asset is our people. It's a belief not only acknowledged by our management team – but also by our customers. Our customer survey results consistently show that we're regarded as expert and professional. We're proud that BSC Parties, prospective industry players, DECC and Ofgem regularly request our advice on the detailed workings of the market arrangements. In addition, many overseas regulatory bodies seek our guidance.

We want to continue to be viewed as an expert in our field and to do this we must maintain the right mix of skills, capability and knowledge to deliver the standards of service our customers expect.

We'll achieve this through a balance of retaining our existing expertise while recruiting and training talented new colleagues. We'll invest in our colleagues and develop their skills through individual, job-specific training, coaching and mentoring as well as corporate training initiatives and technical training sessions provided by subject matter experts. We're also piloting a colleague exchange/secondment programme with one of our customers.

We'll continue to ask our customers' view of the service our people provide – and respond to what they tell us; and we'll ask our people what they think through our annual staff survey. It provides us with valuable feedback and suggestions that we use to develop our approach to staff engagement and to retain our position as an employer of choice.

Part Two details the budgeted costs for 2016/17 in support of our strategy. Please note that the budget is for BSC activity only, excluding any EMR work, relating to CfD and CM, both of which are covered by a DECC grant.

## 04

# Budget section

## Overview

This part details the budgeted costs for 2016/17 in support of our strategy, as laid out in Part One of this Business Plan. We believe this budget enables us to deliver the four strategic priorities identified in our Business Plan, particularly around improving the end-to-end operational delivery of the BSC; focusing on streamlining and automating the processes and systems to ensure that levels of service are fit for purpose and deliver value for money, as well as developing and adapting BSC services to address wider industry challenges.

2016/17 will be the second year ELEXON, in its role as Settlement Services Provider for EMR, delivers its services via its subsidiary EMR Settlement Limited

(EMRS) to Low Carbon Contracts Company Limited (LCCC) and Electricity Settlements Company Limited (ESC). ELEXON provides the human resources and office facilities to perform the functions of the Settlement Services Provider. Previous changes to the BSC have ensured there will not be cross subsidies between BSC and EMR. All EMR related costs are fully funded by a combination of DECC, LCCC and ESC and the total costs of LCCC and ESC (which include those of EMRS) are consulted on separately by DECC. There is therefore no breakdown of EMR costs but the impact to ELEXON's budget via reimbursement for providing human resources and office facilities is further explained in this document.

TABLE 1: BUDGET SUMMARY

Item	Year to March 2015/16 Forecast £m	Year to March 2015/16 Budget £m	Year to March 2016/17 Budget £m	Variance to 2015/16 Budget £m	Variance to 2015/16 Budget %	Year to March 2017/18 Projection £m	Year to March 2018/19 Projection £m
ELEXON operational	18.1	19.9	19.8	0.1	0.5	18.7	19.1
EMR contribution	(2.5)	(2.3)	(2.3)	(0.0)	0.0	(2.3)	(2.3)
Subtotal	15.6	17.6	17.5	0.1	0.6	16.5	16.8
Demand led costs	1.8	1.8	1.8	0.0	0.0	1.8	1.9
Subtotal	17.4	19.4	19.3	0.1	0.5	18.3	18.7
Contracted Costs	13.1	13.8	15.2	(1.4)	(10.1)	15.9	15.8
<b>Total regular activity</b>	30.5	33.2	34.5	(1.3)	(3.6)	34.2	34.5
System Strategy	1.0	2.6	1.5	1.1	42.3	1.5	1.5
Market development	0.3	2.0	0.3	1.7	85.0	0.3	0.3
<b>Overall total</b>	<b>31.8</b>	<b>37.8</b>	<b>36.3</b>	<b>1.5</b>	<b>4.0</b>	<b>36.0</b>	<b>36.3</b>

The budget to deliver BSC activity including the additional BSC activities described in Part One of this Business Plan will be £36.3m. This represents a decrease of £1.5m (4.0%) against the current year's budget. It should be noted that we started the budget process in October, so the comparison for the full year outturn for 2015/16 is based on the September 2015 forecast.

A significant proportion of our costs of delivering the BSC arrangements come from contracted expenditure for the BSC Agents. In 2015/16 we changed our approach to systems transformation compared to prior years. As an alternative to re-procuring and carrying out a large scale transformation of the current BSC Central Systems, we are focusing on upgrading and enhancing our current underlying infrastructure of the central systems in 2016/17 to future-proof the infrastructure and technology until 2023. Part of this involved us extending our current Application Management and Development (AMD) and Business Process Operate (BPO) outsourced contracts which are now scheduled to end in March 2020.

The main focus is on stabilising our systems to reduce costs and time for maintenance, increase flexibility and reduce cost of change, mitigate the risks of failure and overall to deliver better value for money to BSC Parties. We have included a budget of £1.5m to deliver this System Strategy but this has secured savings of in excess of £2.7m over three years, with further savings to be secured before the end of 2015/16.

We have also included a provision of £0.25m for Market Development to support our continuous efforts to better understand developments within the market so that we are able to support the Panel in keeping informed of issues that fall outside of the direct governance of, but may impact, the BSC.

ELEXON is a not for profit entity, funded by electricity market participants. We are cost neutral: we do not carry any reserves or retained capital, and any underspend against budget is always returned to Parties. In light of this, budgeting for uncertainties in advance of any new financial year, with no other access to working capital, requires careful consideration. We need to address contingencies mindful of this constraint, while also endeavouring to set challenging financial targets for the business, which ensure we deliver the best possible value for money to the industry.

CHART 1: COSTS OF REGULAR ELEXON ACTIVITY SINCE NETA GO LIVE (IN 16/17 MONEY)

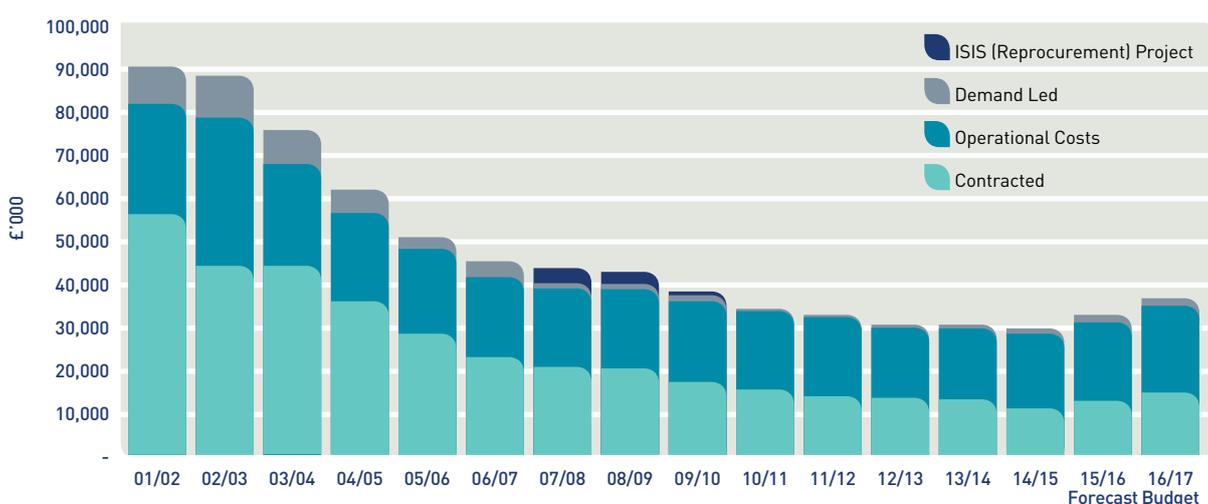


Chart 1 above details the total costs of ELEXON regular activity as well as EMR activities since NETA go-live in 2001/02 in real terms (in 2016/17 money after applying April RPI of each year) and shows our continued success in driving efficiencies throughout the business year on year. The increase anticipated in the coming years is driven by our need to stabilise the central systems.

Despite the additional BSC activities we will be undertaking in 2016/17, the budget is lower than that for 2015/16.

## ELEXON operational

The costs for ELEXON operational are further detailed in Table 2:

TABLE 2: ELEXON OPERATIONAL

Item	Year to March 2015/16 Forecast £'000	Year to March 2015/16 Budget £'000	Year to March 2016/17 Budget £'000	Variance to 2015/16 Budget £'000	Variance to 2015/16 Budget %	Year to March 2017/18 Projection £'000	Year to March 2018/19 Projection £'000
People costs	11,935	13,062	12,999	63	0.5	11,794	11,967
Other operational overheads	6,195	6,871	6,809	62	0.9	6,948	7,094
EMR contribution	(2,534)	(2,299)	(2,254)	(45)	-	(2,254)	(2,254)
<b>Operational total</b>	<b>15,596</b>	<b>17,634</b>	<b>17,554</b>	<b>80</b>	<b>0.5</b>	<b>16,488</b>	<b>16,807</b>

## People (employee and contractor) costs

TABLE 3: ELEXON PEOPLE COSTS AND HEADCOUNT

Item	Year to March 2015/16 Forecast £'000	Year to March 2015/16 Budget £'000	Year to March 2016/17 Budget £'000	Variance to March 2015/16 Budget £'000	Variance to March 2015/16 Budget %	Year to March 2017/18 Projection £'000	Year to March 2018/19 Projection £'000
Employee costs	10,126	11,849	11,285	564	4.8	11,514	11,678
Contractors	1,809	1,313	1,714	(401)	(30.5)	280	289
<b>Total people costs</b>	<b>11,935</b>	<b>13,162</b>	<b>12,999</b>	<b>163</b>	<b>1.2</b>	<b>11,794</b>	<b>11,967</b>
Average employee headcount	152.4	167.2	154.5	12.7	7.6	155.0	155.0
Average contractor headcount	11.9	7.0	12.4	(5.4)	(77.1)	2.1	2.1
<b>Total Headcount</b>	<b>164.3</b>	<b>174.2</b>	<b>166.9</b>	<b>7.3</b>	<b>4.2</b>	<b>157.1</b>	<b>157.1</b>

The budget for our operational costs for 16/17 is £17.6m, which is broadly in line with current year budget and includes costs such as People, Occupancy, General office expenses, Consultancy and Legal support. This has also taken account of the contribution of EMR income.

To fulfil our role as the EMR Settlement Service Provider, via ELEXON's 100% owned subsidiary EMRS, we have contracted with LCCC and ESC to provide the services on day rates that fully recover our management overheads, office overheads and occupancy costs on a not for profit basis in respect of those personnel working on EMR. We have budgeted 22.2 FTEs to deliver the services. The people costs and the incremental office overheads have been included in People Costs and Other Operational Overheads respectively. The £2.2m EMR Contribution represents the income from LCCC and ESC to pay for the additional people resources and office overheads and the share of the fixed overheads taken by the EMR team. The latter defrays the fixed overheads that BSC Parties are currently paying, for example occupancy and the IT infrastructure.

We have decreased our headcount compared to prior year budget.

In part this is driven by the change of approach to transformation and re-procurement.

Both employee and system strategy costs were significantly increased at the time we prepared the 2015/16 budget which included the BPO Transformation Programme, which looked at business processes and technology to address a number of risks and issues that could potentially impede the ability of the Central Systems to meet future needs of the industry. The Transformation programme also included budget for a competitive procurement of the BPO contract which was due to commence in 2015. We have now mitigated the issues raised through renegotiating and extending our Application Management and Development (AMD) and Business Process Operate (BPO) outsourced contracts thus not going through a procurement process, we now anticipate being able to return to a more suitable headcount level.

Table 4 breaks down total headcount by the activities they perform. The increase in delivering BSC business as usual (BAU) activity is attributable to being able to deliver work in the pipeline some of which is outlined in the Panel strategy.

**TABLE 4: ELEXON HEADCOUNT BREAKDOWN**

Item	Year to March 2015/16 Forecast (FTEs)	Year to March 2015/16 Budget (FTEs)	Year to March 2016/17 Budget (FTEs)	Variance to March 2015/16 Budget (FTEs)	Variance to March 2015/16 Budget (%)	Year to March 2017/18 Projection (FTEs)	Year to March 2018/19 Projection (FTEs)
BSC BAU	127.3	140.5	139.7	0.8	0.6	128.4	128.4
EMR	25.0	21.7	22.2	(0.5)	(2.3)	21.7	21.7
Central Reserve/ System Strategy	12.0	12.0	3.0	9.0	75.0	7.0	7.0
Panel Strategy	-	-	2.0	(2.0)	-	-	-
<b>Average total headcount</b>	<b>164.3</b>	<b>174.2</b>	<b>166.9</b>	<b>7.3</b>	<b>4.2</b>	<b>157.1</b>	<b>157.1</b>

## Contracted

TABLE 5: CONTRACTED COSTS

Item	Year to March 2015/16 Forecast £'000	Year to March 2015/16 Budget £'000	Year to March 2016/17 Budget £'000	Variance to 2015/16 Budget £'000	Variance to 2015/16 Budget %	Year to March 2017/18 Projection £'000	Year to March 2018/19 Projection £'000
<b>Total contracted</b>	<b>13,126</b>	<b>13,775</b>	<b>15,218</b>	<b>(1,443)</b>	<b>(10.5)</b>	<b>15,949</b>	<b>15,807</b>

Contracted expenditure includes the operating cost of our BSC Agents (e.g. Central Registration Agent (CRA), Funds Administration Agent (FAA), etc.) and contracted service providers (e.g. for Profiling, Qualification Services etc.); as well as the depreciation of the capitalised investments into our systems. These are the main costs we incur in delivering the BSC arrangements and are predominantly fixed costs, linked to indexation.

The majority of our contracted costs for 16/17 are in line with that of the 15/16 forecast & budget. The £2.0m increase, in comparison to the 15/16 forecast is categorised as follows:

- BSC Central System Business Process Operate (BPO) contract £0.7m – costs increased as part of opting into a one year contract extension with the service provider whilst we established our procurement strategy, IS Strategy and initial transformation roadmap that had been endorsed by the Board in 2014/15. The recent signing of a new contract will see contractual savings of £2.7m over three years compared to the historical average.

- Balancing Mechanism and Reporting Service (BMRS) (£0.9m) – hosting and depreciation of the capital expenditure of the BMRS project incurred in 15/16.
- Business Processes Reporting (BPR) (£0.3m) – the annual hosting, maintenance & support of phase 1 of the BPR project and the depreciation of the capital expenditure incurred in 15/16.



## Demand led

TABLE 6: DEMAND LED

Item	Year to March 2015/16 Forecast £'000	Year to March 2015/16 Budget £'000	Year to March 2016/17 Budget £'000	Variance to March 2015/16 Budget £'000	Variance to March 2015/16 Budget %	Year to March 2017/18 Projection £'000	Year to March 2018/19 Projection £'000
IA - Modification Proposals	203	249	187	62	24.9	150	250
Panel Committee Projects	100	100	100	-	-	100	100
BSC Systems Release	1,500	1,500	1,500	-	-	1,500	1,500
<b>Total demand led</b>	<b>1,803</b>	<b>1,849</b>	<b>1,787</b>	<b>62</b>	<b>3.3</b>	<b>1,750</b>	<b>1,850</b>

This area of our budget is entirely demand driven, and is set to ensure that we are appropriately funded in order to be able to implement changes requested by industry. We continue to ensure that all change is delivered in the most cost effective and efficient way.

Our budget is based on the following assumptions:

- The budget for BSC systems releases has been set at £1.5m, which is line with 2015/16 budget. The costs of the current potential scope of the three Releases in 2015/16 stand at circa £1.3m.
- We've set the budget for impact assessments of modification proposals and change proposals at £187k, a decrease of £62k to reflect the savings made as part of combining contractual arrangement for our AMD and BPO services.
- In line with current year, we have budgeted £100k to cover additions to our cost base resulting from actions requested by Panel committees. This is to ensure that the approach we take is in line with other demand driven activity and to enable an agile delivery.



## System strategy

TABLE 7: SYSTEM STRATEGY

Item	Year to March 2015/16 Forecast £m	Year to March 2015/16 Budget £m	Year to March 2016/17 Budget £m	Variance to March 2015/16 Budget £m	Variance to March 2015/16 Budget %	Year to March 2017/18 Projection £m	Year to March 2018/19 Projection £m
System strategy	1.0	2.6	1.5	1.1	42.3	1.5	1.5

In the 2015/16 budget we allocated several million pounds for a potential system transformation project. As a result of our engagement with industry we have concluded not to seek to overhaul BSC Systems at this time (given the scale of industry change already underway). Instead, during 2016/17 we will consolidate our central services under a single service provider which will deliver the future savings described previously in the contracted cost section. Therefore this year we have set aside £1.5 million to assist in a number of systems development activities.

This will cover the following areas:

- The delivery of the transition of our Application Management and Development (AMD) services from Cognizant to CGI. This includes costs associated with successful handover between service providers, licensing required to support transition and project travel costs.
- During 2015/16 we have undertaken an assessment of the existing central systems to ascertain whether any efficiencies can be delivered against single systems to reduce the potential for future error or failure, focusing particularly on those BSC Agent services where manual intervention forms part of the process. There is an opportunity to commence work to improve processes (and introduce automation), especially for Funds Administration and Registration services, this would not commence in earnest until the transitioning work has completed in Autumn 2016.

- The remainder of the funds form contingency for any system development costs either associated with the two areas above or with any potential development for internal systems (e.g. our Business Process Reporting system)



## Market development

TABLE 8: MARKET DEVELOPMENT

Item	Year to March 2015/16 Forecast £m	Year to March 2015/16 Budget £m	Year to March 2016/17 Budget £m	Variance to March 2015/16 Budget £m	Variance to March 2015/16 Budget %	Year to March 2017/18 Projection £m	Year to March 2018/19 Projection £m
Market development	0.2	2.0	0.3	1.8	87.5	0.2	0.2

This year we are proposing a budget of £0.3m to cover any non BAU activities regarding the developments within the GB energy market. In previous years we have submitted a budget of £2m, however have managed to cover any market development work with internal resources. Monies spent in the past have also included thought leadership pieces or impact assessments commissioned from external consultants.

The provision here is to cover any back fill for internal resources deployed on non-BAU market development activities. It will also cover external consultancy studies and impact assessments and other non-BSC expert advice (e.g. legal advice for Board/Panel).

## Comparison of 2016/17 annual budget with 2015/16 annual budget

TABLE 9: COMPARISON OF 2016/17 BUDGET WITH 2015/16 BUDGET

Item	Year to Mar 2015/16 Budget £m	Year to Mar 2016/17 Budget £m	Variance £m	Variance %
ELEXON operational incl. EMR	17.6	17.5	0.1	0.6
Contracted costs	13.8	15.2	(1.4)	(10.1)
Demand led	1.8	1.8	0.0	0.0
<b>Total regular activity</b>	<b>33.2</b>	<b>34.5</b>	<b>(1.3)</b>	<b>(3.9)</b>
System strategy	2.6	1.5	1.1	42.3
Market development	2.0	0.3	1.7	85.0
<b>Overall total</b>	<b>37.8</b>	<b>36.3</b>	<b>1.5</b>	<b>4.0</b>

(Unfavourable variances are in brackets)

## Comparison of 2016/17 annual budget against forecast of 2015/16 outturn

TABLE 10: COMPARISON OF 2016/17 BUDGET AGAINST 2015/16 FORECAST

Item	Year to Mar 2015/16 Projection £m	Year to Mar 2016/17 Budget £m	Variance £m	Variance %
ELEXON operational incl. EMR	15.6	17.5	(1.9)	(12.2)
Contracted costs	13.1	15.2	(2.1)	(16.0)
Demand led	1.8	1.8	0.0	0.0
<b>Total regular activity</b>	<b>30.5</b>	<b>34.5</b>	<b>(4.0)</b>	<b>(13.2)</b>
System strategy	1.0	1.5	(0.5)	(50.0)
Market development	0.3	0.3	-	-
<b>Overall total</b>	<b>31.8</b>	<b>36.3</b>	<b>(4.5)</b>	<b>(14.2)</b>

(Unfavourable variances are in brackets)

## Charging analysis

This section outlines how we expect to charge the budget to BSC Trading Parties. Table 11 contains charging proposals from Section D of the BSC. All of the charges presented in Table 11 exclude value added tax (VAT).

**TABLE 11: SECTION D – CHARGING \***

- £500 Application Fee
- Membership fee of £250 per month
- CVA Metering System Monthly Charge of £50 per month. CVA BM Unit Monthly Charge (other than for Supplier BM Unit) of £100 per month (this charge is levied on each pair of BM units in the case of an exempt generator)
- For communication line and TIBCO charges, please refer to the ELEXON website
- Notified Volume Charge per Gross Contract MWh at a rate of £0.00053/MWh
- For all Base SVA BM Units a charge of £100 per month
- SVA costs split:
  - 50 percent of costs are paid by generators on basis of metered energy volumes
  - a fixed fee of £0.35 per SVA Half Hourly Metering System per month
  - remainder allocated on Suppliers Non Half Hourly MWh market share.
- All remaining costs split on basis of metered energy volumes.

\* These are based on the current charges and are consistent with last year's budget. They are subject to change following a periodic review approved by the Panel. Please refer to the BSC website for current rates.

Based on the information in Table 11 examples of charges to BSC Parties are provided.

First, the 2016/17 BSCCo Annual Budget is set out in Table 12 below.

**TABLE 12: SPLIT OF COSTS**

Assumed split of costs			
	2015/16 Forecast	2015/16 Budget	2016/17 Budget
SVA costs	4.4	4.5	4.6
Other costs	27.4	33.4	31.7
<b>Total</b>	<b>31.8</b>	<b>37.8</b>	<b>36.3</b>

Second, various assumptions about the size of the market are made. These are presented in Table 13.

**TABLE 13: MARKET ASSUMPTIONS**

Market assumptions	2015/16 Forecast	2015/16 Budget	2016/17 Budget
Number of Trading Parties	309	289	318
Sales - Notified Contract Volumes (TWh)	785	786	800
Purchases - Notified Contract Volumes (TWh)	785	786	800
Generation (TWh)	259	272	267
Supply (TWh)	252	263	260
NHH Supply (TWh)	143	150	147
HH Supply (TWh)	121	113	125
CVA BM Units	665	659	685
SVA Base BM Units	112	97	115
SVA Additional BM Units	3	2	4
Data Line	80	81	82
Comms Software (5 users)	28	27	29
Comms Software (additional user)	0	0	0
CVA Metering Systems (MSIDs)	829	835	854
HH Supply (MSIDs)	139,434	136,326	200,000
PRS Supply (MSIDs)	33,464,160	32,718,240	34,468,085

Third, the charging regime from Section D of the BSC in Table 10 is then applied to costs in Table 12 based on the assumptions in Table 13. This gives the estimated charges (either specified charges or £/MWh fees) in Table 14.

**TABLE 14: EXPECTED CHARGES**

Charge item	2015/16 Forecast	2015/16 Budget	2016/17 Budget
<b>Specified charges</b>			
CVA BM Units (£/month)	100	100	100
SVA Base BM Units (£/month)	100	100	100
SVA Additional BM Units (£/month)	100	100	100
Data Line - estimated average (£/month)	700	700	700
Comms Software - average quad2 processor (£/month)	1,080	1,080	1,080
Comms Software {additional user} (£/month)	22	22	22
Contract Traded (£/MWh)	0.0006	0.0006	0.0006
CVA Metering Systems (£/month)	50	50	50
Base Monthly Charge (£/month)	250	250	250
<b>SVA</b>			
HH SVA Ops (£/msid/month)	0.60	0.70	0.35
NHH SVA Ops (£/NHH MWh)	0.008	0.008	0.008
Gen Energy SVA (£/MWh)	0.008	0.008	0.009
<b>Main charges</b>			
Energy fee (£/MWh)	0.04540	0.05422	0.05197



TABLE 15: COST RECOVERY BY ITEM

Charge item	2015/16 Forecast		2015/16 Budget		2016/17 Budget	
	(£m)	% of total	(£m)	% of total	(£m)	% of total
<b>Specified charges</b>						
CVA BM Units	0.8	2.5%	0.8	2.1%	0.8	2.3%
SVA Base BM Units	0.1	0.4%	0.1	0.3%	0.1	0.4%
SVA Additional BM Units	0.0	0.0%	0.0	0.0%	0.0	0.0%
Data line	0.7	2.1%	0.7	1.8%	0.7	1.9%
Comms software (total)	0.4	1.1%	0.3	0.9%	0.4	1.0%
Contract Traded	1.0	3.1%	0.9	2.5%	1.0	2.7%
CVA Metering Systems	0.5	1.6%	0.5	1.3%	0.5	1.4%
Membership fee	0.9	2.9%	0.9	2.3%	1.0	2.6%
<b>SVA</b>						
HH SVA Ops (£/msid/month)	1.0	3.2%	1.1	3.0%	1.0	2.8%
NHH SVA Ops (£/NHH MWh)	1.1	3.6%	1.2	3.2%	1.2	3.2%
Gen Energy SVA (£/MWh)	2.1	6.5%	2.2	5.9%	2.3	6.3%
<b>Main charges</b>						
Energy fee (£/MWh)	23.2	73.1%	29.0	76.7%	27.4	75.3%
<b>Total</b>	<b>31.8</b>	<b>100.0%</b>	<b>37.8</b>	<b>100.0%</b>	<b>36.3</b>	<b>100.0%</b>

## 05

## BSCCO Board and Executive

### Michael Gibbons, ELEXON Board and BSC Panel Chairman



Michael was appointed as the Chairman of the ELEXON Board and Balancing and Settlement Code (BSC) Panel in October 2013.

He brings with him a wide range of industry experience, having spent 11 years at director level with Powergen.

Michael has also had a number of public sector responsibilities, notably relating to regulatory issues.

He is the Chairman of the Regulatory Policy Committee, and in 2007 was the author of the government-sponsored review (the Gibbons Review) of Employment Dispute Resolution Regulations.

Michael was awarded a CBE in 2015 for services to regulatory reform and in recognition of his work as the Chairman of the Government's Regulatory Policy Committee (RPC) since the committee was set up in 2009. Michael was previously awarded the OBE for services to regulatory reform in 2008.

Michael is also chairman of the Carbon Capture and Storage Association, a NED with Sargas Power Yorkshire Ltd, an adviser to Ocean Power Technologies, Inc, a Patron of the Professional Mediators' Association, and a director of the British Management Data Foundation Ltd.

He is a Fellow of the Energy Institute (FEI).

### Volker Beckers, Industry Non-Executive Director



Volker Beckers graduated from Cologne University in Economics/Business Administration.

With more than 20 years' senior experience within the energy industry, he has a comprehensive knowledge of European energy markets.

Volker was Group CEO, RWE Npower plc until the end of 2012 and prior to this, its Group CFO from 2003 to 2009.

He has worked in a variety of trade and industry bodies, including the CBI President's Committee, on the Board of the German-British Chamber of Industry & Commerce, and since 1999 as Deputy Chair of the Executive Commercial Management Committee at the German Association of Energy and Water Industries (BDEW) and was also member of the Executive Committee of UKBCSE (now Energy UK).

He held a number of non-Executive directorships including HM Revenue & Customs where he chaired the Scrutiny Committee.

Since 2009 he chairs the Business Energy Forum.

Volker's current activities include: Non-Executive Director, Nuclear Decommissioning Authority

- Member of the UK Advisory Board of PwC
- Non-Executive Chairman, Spenceram Ltd
- Non-Executive Chairman, Albion Community Power plc
- Non-Executive Chairman, Reactive Technologies Ltd.

Board member, Danske Commodities.

Volker currently sits on the Advisory Board of the EU Centre for Energy and Resource Security (EUCERS) at King's College, and is Chair of the Advisory Board with Erasmus Centre for Future Energy Business (ECFEB), a specialist research centre at Rotterdam School of Management.

In 2014 he joined the Board of Trustees of Forum for the Future.

He is also a Fellow of the Energy Institute.

### Alison Chappell, Industry Non-Executive Director



Alison is employed by RWE; a Germany-based energy company which is also one of the 'Big Six' in the UK energy market.

This gives her insight into the issues which affect the larger end of ELEXON's client base.

Currently she leads the Change Management and Continuous Improvement Practice for the Generation business of RWE; an international operation with 15,000 employees.

Her energy experience includes six years working on the supplier side with npower; two years as Diversity Officer for the RWE Group, reporting to the CEO; and four years leading RWE's UK nuclear new build project in joint venture with E.On.

She also spent eight months working on secondment to Welsh Government helping them to understand the energy investment landscape.

She is active in STEM initiatives.

Prior to entering the energy sector Alison's career focused on marketing and management consultancy; working for Rowntree Mackintosh, Allied Domecq and Coopers and Lybrand amongst others.

She holds a degree in Archaeology and Anthropology from Cambridge University and an MBA from Warwick.

### Clare Duffy, Industry Non-Executive Director



Clare Duffy is UK General Manager for ESB and is a chartered engineer with almost 20 years' experience working in the power industry.

In addition to her roles with ESB, Clare sits on the Advisory Group for Wave Energy Scotland; chairs Energy UK's Strategic Policy Committee; and is a member of the GB Committee of the British Irish Chamber of Commerce. She has post-graduate qualifications in accounting, finance, marketing and management.

### David Rigney, Senior Independent Non-Executive Director



David is an experienced Board Director in both the public and private sector.

He is currently the Chairman of Bacs Payment Schemes Limited, a Non-Executive Director at the Principality Building Society and a Non-Executive Director at Sport Resolutions UK.

David is a qualified accountant with wide ranging experience across Finance, IT, Customer Service and Corporate Governance. He was previously Group Operations Director at Nationwide Building Society.

David is the Chair of the Audit Committee at ELEXON and Senior Independent Director.

### Gillian Wilmot, Independent Non-Executive Director

Gillian is an experienced non-executive director on a wide range of boards for leading companies.

She is the founder and CEO of Board Mentoring and is currently a Non-Executive Director, and the chair of the Remuneration Committee, at NISA Retail and on the Industrial Development Advisory Board (IDAB), which advises the UK Government on large commercial investment projects and Senet Group. In December 2015, Gillian was named as the new Chair of Sports Coach UK.

She has previously held Non-Executive Director roles at Blackwells, Land of Leather, Admiral and the Committee of Advertising Practice (CAP). In addition, she had a 30 year executive career at leading companies including, Next and Royal Mail as a Marketing Director and MD/CEO. Gillian is Chair of the Remuneration Committee at ELEXON.



### Our Executive

Our Executive Team is responsible for ELEXON's day-to-day management. The team works with our Board, Panel and staff to ensure the successful delivery and evolution of the BSC.

### Mark Bygraves, Chief Executive Officer

Mark Bygraves is Chief Executive of ELEXON, the administrator of the electricity wholesale balancing and settlement arrangements for Great Britain and of the EMR CFD and Capacity Market payment arrangements. At a time of major change in the electricity sector, ELEXON continues to deliver these essential services and to support stakeholders including DECC, Ofgem and industry, in evolving the market arrangements to address current and future challenges.

Mark brings over 20 years' experience in the energy sector of leading businesses, engaging and influencing stakeholders and challenging colleagues to deliver BAU and strategic initiatives, drawing on his skills gained in a career as Lawyer, Director of M&A, Investment Banker, Commercial Director and CEO.

He began his career as a lawyer, qualifying in private practice, before switching to the energy industry where increasingly he focused on the commercial aspects of delivering corporate strategies and significant transactions.

Prior to joining ELEXON in 2011, Mark was an investment banker advising many of the world's leading utilities. This followed 10 years at E.ON in the UK where as Director of Mergers & Acquisitions he lead strategic transactions both in the UK and internationally.



### David Jones, Acting Director of Strategy & Delivery

David has worked at ELEXON for over ten years. During this time he has worked across most areas of the business, managing teams responsible for progressing changes to the BSC and its subsidiary documents, Settlement Performance Assurance and Monitoring, Trading Disputes and service management. He has chaired the Trading Disputes Committee (TDC) and the Performance Assurance Board (PAB), as well as countless Modification groups.



### Nigel Smith, Chief Financial Officer

Nigel is Chief Financial Officer, leading the Professional Services department. This department incorporates the HR, Legal, Facilities, Finance, Supply Chain Management, IT & Information Security, Internal Audit & Assurance and Communications teams. As well as supporting the business in all of the areas mentioned above, the department also ensures ELEXON drives cost efficiencies and that the company conducts its operations in a secure and controlled manner.

Nigel is a qualified accountant of some 25 years, and prior to joining ELEXON eight years ago, held a number of senior finance roles across a broad range of sectors.



### David Osborne, Director of BSC Operations

David was appointed to the role of Director of Operations in May 2015.

He has worked in the electricity industry for over 35 years and has a wide range of experience.

David has held senior management roles in all of ELEXON's operational departments.

He led the team responsible for delivering ELEXON's new role as the EMR Settlement Services Provider for which he will retain responsibility now that the service has gone live.



## 06

# Questions

If you have any questions on the BSCCo Business Plan, please contact Communications at [communications@elexon.co.uk](mailto:communications@elexon.co.uk).

Want to know more about or how to get involved with the BSC?

Visit us at [www.elexon.co.uk](http://www.elexon.co.uk) or contact your Operational Support Manager.





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