

QUARTERLY REPORT Q2 2015/16: JULY TO SEPTEMBER 2015

The ELEXON Quarterly Report for Q2 2015/16 provides information on the operation, implementation and administration of the BSC, in accordance with [section C3.9.1 of the BSC](#).

The Quarterly Report is divided into four sections:

1. BSCCo Review
2. Operation of the Balancing and Settlement Arrangements
3. Governance and Change
4. Review against the Annual Budget

BSCCO REVIEW

This report summarises the operation of the Balancing and Settlement Code (BSC) for the second quarter of the financial year 2015/16, and describes the activities of the BSC Panel and its Committees. The report also reviews ELEXON's performance against the BSCCo Business Strategy and Budget for 2015/16.

Our strategy this year is to maintain and build upon our previous achievements to fulfil our mission – 'To deliver the BSC effectively, efficiently and economically, to the benefit of our customers', and to 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.'

We aim to achieve our strategy by fulfilling five strategic priorities designed to improve our service to our customers and stakeholders. These are to:

- Actively managing and continually improving BSC services to ensure efficient, effective and economic delivery (Delivering our core service)
- Driving efficiencies and savings in our operational business (Driving efficiencies)
- Improving the customer experience and developing better customer relationships (Improving the customer experience)
- Developing our services and adapting our business to address industry challenges (Addressing industry challenges)
- Investing in our people for the benefit of our industry (Investing in our people)

To pursue our vision, we will develop our services and adapt our business to address industry challenges.

We've highlighted some of the key successes below, but you can get a fuller picture of our business activity from the reports presented at each BSC Panel meeting:

- [ELEXON Report 241](#) – 15 May to 4 June
- [ELEXON Report 243](#) – 10 July to 12 August
- [ELEXON Report 245](#) – 11 September to 30 September

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Managing and improving BSC services

Risk Evaluation Register 2016/17 published

We presented the Risk Evaluation Register (RER) 2016/17 to the Performance Assurance Board (PAB) on 27 August. This followed responses we received to the industry consultation. PAB reviewed and approved the RER which takes effect from 1 April 2016. You can find full details of the RER documents on the [Performance Assurance Processes](#) page of our website along with the RER ledger.

BMRS Update

We successfully delivered the second of the three phases of our new BMRS platform ("Phase 2") on 23 July 2015.

Phase 2 provides an additional "Data Push" service to allow near real time data to be pushed to users over the internet which represents an alternative to TIBCO and a dedicated High Grade line. Phase 2 also introduces additional data items available through the Application Programming Interface (API) delivered in Phase 1.

In Phase 2, the majority of the raw data received by the legacy BMRS from National Grid will be made available through the Data Push service and the API. Please refer to API and Data Push User Guide for full details of the available data items.

Phase 3 will deliver the remaining raw data received by BMRS from National Grid and functionality currently in the legacy BMRS. It will also introduce a renewed and more user friendly screen for BSC Parties and stakeholders to view BMRS data.

The implementation date for the 3rd and final Phase of the new BMRS platform ("Phase 3") is 15 March 2016.

Please note that Phase 3 will no longer deliver Approved Modification P297: Receipt and Publication of New and Revised Dynamic Data Items, as Ofgem has approved a revised Implementation Date of 1 November 2016 for P297.

We continue to monitor developments on reporting obligations from the Agency for the Cooperation of Energy Regulators (ACER).

Improving the customer experience

Annual BSC Meeting and ELEXON seminar 2015

On 9 July 2015, we held the annual BSC Meeting and ELEXON seminar 2015. The seminar consisted of updates and discussion on the key issues affecting the BSC, ELEXON and Settlement. Industry members joined us for the Annual BSC Meeting, a recap of last year's achievements and an update on our progress with the 2015/16 BSCCo strategy.

P272 BSC Industry Day

On 5 August 2015, ELEXON held a BSC Industry Day to explain the latest updates on [P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) (and related Modification [P322 'Revised Implementation Arrangements for Mandatory Half Hourly Settlement for Profile Classes 5-8'](#)). The event received excellent ratings, with attendees particularly praising the opportunities it gave them to understand how other businesses were managing the migration, a chance to discuss the key topics with experts from ELEXON and ensure they were clear of their obligations.

'Introducing ELEXON' seminar

We held an 'Introducing ELEXON' seminar on 16 September. This edition of the seminar was fully booked and well attended, and the feedback received was excellent.

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Developing our services

European Developments

This quarter was significant for European developments.

In late July, the Agency for the Cooperation of Energy Regulators (ACER) published its Recommendation to the European Commission on the Network Code on Electricity Balancing (NCEB). Alongside this, it published a red-lined redraft of the NCEB itself, the first public draft of this since August last year.

Of significance for BSC Parties and ELEXON, this draft Network Code includes:

- The requirements for harmonising imbalance settlement across Europe by July 2019.
- The requirement for a common imbalance settlement period duration (15 minutes is the explicit preference of ACER, though this is still subject to a future cost-benefit analysis).
- The requirements that third party non-TSOs, such as ELEXON, must meet in order to carry out tasks within the scope of this Code, including balancing settlement and imbalance settlement.

The first BSC Issue 60 Group meeting was held in July and met again in September after the August holiday month. National Grid raised this BSC Issue to enable GB industry to examine how the BSC will interface with Project TERRE. Project TERRE is the first advance implementation (pilot) project associated with the NC EB that will impact GB.

The European Capacity and Congestion Management (CACM) Guideline, formerly a Network Code, entered into legal force on 14 August 2015. This is the first ever European Network Code covering electricity markets to become law. It covers the day-ahead and intraday electricity markets, so does not immediately impact the BSC or ELEXON, though there may be consequential change requirements later as the detailed rules under CACM are developed.

In September, EU Member States approved the Network Code on High Voltage Direct Current Connections (HVDC). HVDC is the third Network Code and Guideline to be approved by Member States.

The first meeting of the Market European Stakeholder Committee took place on 29 September 2015. This Committee is primarily concerned with sharing information on the implementation of the Market Network Codes between ACER, ENTSO-E and industry. Steve Wilkin, from ELEXON, was nominated by the Association of European energy exchanges (Europex) to sit on this Committee as one of its representatives.

Electricity Market Reform (EMR)

EMR Settlement Services

In April 2015 EMRS started issuing invoices for both Contracts for Difference (CFD) and Capacity Market to Suppliers and monitoring receipt of the subsequent payments. This was a significant milestone achieved in our role as EMR Settlement Services Provider. The invoicing activities continue as planned:

- Invoicing the Operational Cost Payment on a daily basis and Settlement Costs Levy Payment on a monthly basis for the current financial year.
- Refunds for the Settlement Costs Levy Payment and the Operational Cost Payment for the previous financial year.

These costs recover the operational costs for the Low Carbon Contracts Company (LCCC) and the Electricity Settlement Company (ESC) from Suppliers.

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Further invoicing activities include:

- First quarterly reconciliation performed for the April 2015 to June 2015 quarter with credit notes being issued to Suppliers.

EMRS system release

In September improved the EMR Settlement System. These changes enabled Suppliers to receive backing data via the Data Transfer Network (DTN) and also incorporated the ability for EMRS to report on Energy Intensive Industries (EII) exemption.

New Working Practices published

We published two new Working Practices on the [EMRS website](#) to support operational activities for EMR:

- WP22 – Applicant/Capacity Provider Registration
- WP35 – Applicant/Capacity Provider Credit Cover

We published a new Guidance document on the [EMRS website](#) to support Suppliers in this area:

- G5 – Calculation of Supplier Demand for EMR Charging

Stakeholder Engagement activities

On 6 July 2015, EMRS presented at the EMR Delivery Body event for the Capacity Market on the Applicant Credit Cover and Registration processes. In addition, we also provided an update on Metering Tests.

On 22 July 2015, EMRS co-hosted an event for new Suppliers with the Low Carbon Contracts Company (LCCC). This event provided an overview of the EMR programme and outlined the different roles and responsibilities of the delivery bodies.

On 12 August 2015, EMRS co-hosted an event for Suppliers with the Low Carbon Contracts Company (LCCC). This event EMRS provided Suppliers with an update on Settlement activities, EII processes and Supplier payment and invoicing.

EMR Circulars

We issued 12 EMR Circulars over the quarter; these are available on the [EMRS website](#).

Smart Metering and Smarter Markets

The Profiling and Settlement Review Group has now completed its Terms of Reference (ToR) and the Supplier Volume Allocation Group (SVG) has agreed to disband it. The Profiling Expert Group (PEG) will now look at future changes to the profiling arrangements. A new BSC Panel Advisory Group, the Settlement Reform Advisory Group (SRAG), has been set up to look at the Settlement arrangements going forward in light of the smart Meter roll out. The SRAG will be looking at small scale Half Hourly Settlement barriers for customers currently in Profile Classes 1 to 4, data estimation and process issues, communication and guidance requirements, the impact on Settlement of unmetered export from distributed generation, and supporting innovation and technology change.

We continued to regularly meet with Ofgem on Smarter Markets and offer our technical expertise. We re-iterated our offer support to Ofgem, our thoughts on Demand Side Flexibility and our belief in the benefits of Half Hourly Settlement. On change of Supplier, Ofgem has published its decision to lead a programme of work to introduce reliable next day switching by 2019. Ofgem expects the Data and Communications Company (DCC) to procure and run a Centralised Registration Service (CRS) to facilitate the delivery of next-day switching. Ofgem has written to ELEXON and presented to the Panel, requesting support for its 'Reliable Next-Day Switching' programme. We have

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been asked to provide part-time support to three workgroups starting in November/December 2015 for a year. Ofgem has also asked ELEXON to chair a dual fuel working group on address data quality.

We met regularly with the DCC and the Smart Energy Code (SEC) Panel chair to discuss potential issues, share relevant information about smart meter developments and areas of interaction with the BSC.

On Smart Grids, we contributed to the Ofgem lead Workstream 6 (WS6) and its sub groups. Workstream 6 is now in the process of finalising its report and recommendations from its sub-groups (visibility, distributed generation/storage, consumer, distribution of value, smart metering and community energy & energy efficiency) to the Smart Grid Forum. The expectation is that the report will be presented to the Smart Grid Forum in October.

Industry consultations

We responded to four industry consultations over the quarter:

- ELEXON's response to the CMA's notice regarding assessment methodology for losses remedy
- ELEXON's response to ENTSO-E's consultation on its Annual Work Programme
- ELEXON's response to Ofgem's consultation on 'Reforming suppliers' meter inspection obligations'
- ELEXON's response to the CMA's provisional findings report and notice of possible remedies
- Cutting Red tape Energy review: ELEXON comments

All our responses are published on the [Industry Insights](#) page of the ELEXON website.

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OPERATION OF THE BALANCING AND SETTLEMENT CODE ARRANGEMENTS

You can find further details about our operational performance, including performance against our key performance indicators in the ELEXON reports presented to the BSC Panel every month:

- [ELEXON Report 241](#) – 15 May to 4 June
- [ELEXON Report 243](#) – 10 July to 12 August
- [ELEXON Report 245](#) – 11 September to 30 September

We report operational issues that affect customers in [ELEXON Circulars](#).

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GOVERNANCE AND CHANGE

Modifications

4 Modification Proposals were raised:

- **P324** 'Review of BSCCo's governance: introducing improved accountability to BSC Parties'
- **P325** 'Improving the accountability of BSCCo to stakeholders and better aligning BSCCo governance with best practice'
- **P326** 'Introduction of a non-Working Day adjustment to the Credit Cover Percentage calculation'
- **P327** 'Clarifications to P305 legal text'.

0 Modification Proposals were withdrawn.

2 Modification Proposals were submitted to the Authority for decision:

- **P315** 'Publication of Gross Supplier Market Share Data'
- **P320** 'Reporting on Profile Classes 5 – 8 Metering Systems after the implementation of P272'.

1 Modification Proposal was approved or rejected by the Authority:

- **P320** 'Reporting on Profile Classes 5 – 8 Metering Systems after the implementation of P272' (*Approved*).

1 Modification Proposal was pending Authority decision at 30 September 2015:

- **P315** 'Publication of Gross Supplier Market Share Data'.

1 Modification Proposal was approved by the BSC Panel under Self-Governance:

- **P327** 'Clarifications to P305 legal text' (*Fast Track Self-Governance*).

1 Modification Proposal was implemented:

- **P322** 'Revised Implementation Arrangements for Mandatory Half Hourly Settlement for Profile Classes 5-8'.

Change Proposals

7 Change Proposals were raised:

- **CP1444** 'Extend the timescale of CoP10 Proving Tests until the implementation of P272'
- **CP1445** 'BSCP516 alignment with revised P272 Implementation Date'
- **CP1446** 'Allow smart CoS agreed Disputed Reads to be entered into Settlement'
- **CP1447** 'Amendment to the timescales for sending the D0010 from Supplier to NHHDC on a Smart Change of Supply event'
- **CP1448** 'Changes to allowable software for Method 3 Proving Tests'
- **CP1449** 'Updates to BSCP520 and the SVA Data Catalogue following a review'
- **CP1450** 'Security Requirements for CoP10 Metering Equipment'.

1 Change Proposal was implemented:

- **CP1445** 'BSCP516 alignment with revised P272 Implementation Date'.

BSCP40 issues

1 BSCP40 issues remains open during this period:

- **Issue 60** 'Interfaces between the European Balancing Project TERRE and the current GB market arrangements'.

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Standing Issues

- 0 Standing Issues were raised.
- 0 Standing Issue was closed.

BSC Panel and Committee Activity

The BSC Panel:

As well as considering the Modifications in the section above, the BSC Panel:

- Received an update on actions taken in response to the 2014 ELEXON customer survey, and a report on the results of the 2015 survey
- Noted the review of ELEXON's non-industry directors' fees that had been conducted by the ELEXON Board
- Approved the appointment of a new Panel Secretary
- Received a summary of the provisional findings and recommendations of the Competition and Markets Authority (CMA) Energy Market Investigation
- Approved the schedule for Panel meeting dates for 2016
- Appointed a new member of the TDC and SVG
- Received an update on a Section H Default
- Endorsed the Supplier Volume Allocation Group's (SGV's) recommendation that there should be no review of GSP Group Correction Scaling Weights in 2015
- Reviewed the Loss Of Load Probability (LoLP) Calculation Statement established in accordance with Modification P305 and recommended to the Authority that the statement should be approved
- Noted amendments to the BSC Panel Strategic Work Programme following its review by the BSC Panel Committee Chairs and Sponsors
- Received an update on ELEXON's operation of the Payment Default procedures, but deferred making a decision on raising a Modification to the BSC to allow limited discretion in the treatment of low value Payment Default events
- Considered the findings of the Panel Governance Review regarding delegation and operating practices.

Imbalance Settlement Group (ISG):

The ISG continues to oversee and contribute to the development of the CVA arrangements. Decisions included:

- Approval of CP1442 'Clarifying the application process for Metering Dispensations'
- Approved Configurable Items that had been amended for the November 2015 Release
- Approved four Metering Dispensations on a temporary basis
- Approved one Metering Dispensation on a lifetime basis
- Carried out its annual review of the Market Index Definition Statement (MIDS)
- Reviewed the Line Loss Factor (LLF) Methodology Statements submitted by Licensed Distribution System Owners (LDSOs) and approved the one LLF Methodology Statement that had been revised.

Supplier Volume Allocation Group (SVG):

The SVG continues to oversee and contribute to the development of the SVA arrangements. The SVG:

- Oversaw the progression of over 60 changes to Market Domain Data (including new profiling Technical Product Deliverables for use in Settlement from 7 September 2015).
- Approved six Change Proposals (CPs) as follows:
 - CP1439 'Proving Test Permissible Software' (for implementation in the November 2015 Release')

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- CP1441 'Allowing the Peer Comparison technique to be reported on a Supplier Agent level' (for implementation in the November 2015 Release)
- CP1442 'Clarifying the application process for Metering Dispensations' (for implementation in the November 2015 Release)
- CP1443 'Standard Settlement Configurations for smart and advanced Meters' (for implementation in the February 2016 Release)
- CP1444 'Extend the timescale of CoP10 Proving Tests until the implementation of P272' (for implementation in the November 2015 Release)
- CP1445 'BSCP516 alignment with revised P272 Implementation Date' (for implementation on 11 August 2015 as a Standalone Release)
- Approved changes to SVA Code Subsidiary Documents for the November 2015 Release
- Approved a Distributor's revised Line Loss Factor (LLF) methodology statement submitted for the 2016/17 LLF methodology review
- Approved new Half Hourly Default Estimated Annual Consumption values for Measurement Classes C, D, E, F and G
- Agreed the approach and timetable for this year's recalculation and review of Annual Fraction of Yearly Consumption values
- Recommended to the Panel that no review of Grid Supply Point (GSP) Group Correction Scaling Weights is undertaken until after the implementation of P272 in 2017
- Approved a Metering Dispensation on a temporary basis and with a condition
- Approved an Unmetered Supplies Central Management Systems for use in Settlement.

Trading Disputes Committee (TDC):

The TDC:

- The TDC considered 15 Trading Disputes with a Settlement error materiality of approx. £177,448
- The TDC agreed changes to the reporting of Large EAC/AA errors to help with timing issues with data reports provided by ELEXON.

Performance Assurance Board (PAB):

In addition to normal work, the PAB approved the Qualification of:

- HH Meter Operator Agent
 - Lowri Beck
- HH and NHH Meter Operator Agent
 - Accrington Metering Services Limited
 - Bury Metering Services Limited
 - Cheadle Metering Services Limited
 - Droylsden Metering Services Limited
 - Eccles Metering Services Limited
 - Firwood Metering Services Limited
- HH and NHH Supplier
 - ENERGYQ Limited
 - PowerQ Limited
 - SINQ Power Limited
 - TRAMONTO Power Limited
 - Bethnal Energy Limited
 - Covent Energy Limited

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- Edgware Energy Limited
- Farringdon Energy Limited

Approved the re-Qualification of:

- TMA using ACCU MPID as HH Data Collector and Aggregator.

Approved:

- Risk Evaluation Register 2016/17
- Annual Performance Assurance Report 2014/15
- Scottish Power SR0074 EFR milestones – Oct 2015 and Jan 2016
- BSC Audit Scope 2015/16
- Supplier Migration Plans - P272/322
- Technical Assurance Agent Category 1 Materiality Calculation
- TAMEG's proposal for ELEXON to complete an impact assessment for a central repository for commissioning records
- Delaying BUSRR review until April 2016
- Technical Assurance Agent Specific Sample for 2015/16
- ECOES costs for P272/322 reporting
- Performance Assurance arrangements for P272/322
- BSC Qualification Service Provider's Approach to the (Re)-Qualification Service Document for the year ending September 2016.

Noted:

- ELEXON's recommendations on Supplier Migration Plans received, relating to P272/300
- Scottish Power (SPOW and MANW) NHHDC - provision of data following Change of Supplier (CoS) events EFR plan
- Trading Dispute DA686 lessons learned
- P272 and P322 updates
- How PARMS Serial SP04 would be used during P272 Migration and Implementation
- EMR update.

Settlement Review Advisory Group (SRAG):

The SRAG Committee was established in July as a new BSC Panel Committee to look at potential improvements to the Settlement arrangements. The main focus of the group is to look at half hourly settlement for smaller customers, domestic and non-domestic, with the mandated rollout of smart meters. The group will also investigate how settlement can improve its accuracy of micro-generation and accommodate the introduction of new technology, such as storage and more prevalent embedded generation.

The group have met twice and:

- Identified business process changes for enabling smart meters to settled half hourly more easily and simply
- Improvements data flows to accommodate lower levels of half hourly meter volume data (increased data precision)
- Considered longer term changes to the half hourly settlement process for customers currently in Profile Classes 1-4.

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REVIEW AGAINST THE ANNUAL BUDGET

Summary

The provisional year to date expenditure for the second quarter of 2015/16 is £14.4m, £3m (17.5%) below budget.

The full year forecast stands at £31.8m, £6m (16.1%) below budget.

The material underspends in the quarter and in the full year forecast, is largely driven by the change of approach regarding the transformation work. Both employee and system strategy costs included material contingencies at the time we prepared the 15/16 budget to enable a wholesale change in systems. A subsequent change to this approach we believe will reduce these areas, and therefore anticipate returning a material proportion of this additional budget to Parties.

Expenditure by type

The position against budget for the full year is summarised below:

£m	YTD	Var.	Full Year	Var.
Operational	7.2	1.0	15.6	2.0
Demand Led	0.8	0.1	1.8	0.1
Contracted	6.1	0.6	13.1	0.6
System Strategy	0.3	1.1	1.0	1.6
Market Development	-	0.2	0.25	1.75
Total Elexon	14.4	3.0	31.8	6.0

Operational expenditure

The Operational expenditure year to date stands at £7.2m, with an underspend of £1.0m (12.2%).

The full year forecast stands at £15.6m with an expected underspend of £2.0m (11.6%).

Demand Led expenditure

The full year expenditure is expected to be in line with budget at this time at £1.8m.

We have incurred £745k on release projects and £83k on BMRS.

We have incurred a year to date cost of £31k on impact assessment, Modification proposals, and Panel committee projects.

We are still expecting costs relating to November 15 release £265k and BMRS £25k to be incurred in the 15/16 financial year.

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Contracted expenditure

The contracted expenditure year to date is £6.1m, £3.4m of which relates to BPO services.

The full year forecast is expected to be £13.1m, with an underspend of £648k which relates to:

- £268k savings for Operation & Maintenance of our BPR system to take into account that the system has not gone live yet; we have signed a support contract with Hitachi for £172k, subsequently only £72k will be accounted for this financial year resulting in reduced forecast.
- £200k from the tech refresh budget that we do not anticipate to use this year, as most upgrades on the central systems will be included in the As Is plus transition plan.
- we have released £90k in relation to exit costs with G4S and Meniscus following the Board approval to extend the profiling contracts.
- £47k saving due to lower than budgeted indexation on BPO fixed cost.

System strategy

Costs of £278k have been incurred year to date. £92k relates to the BMRS project, £82k relates to BPR and £104k to the AS IS+ project. All of this spend is within the project budgets approved by the Board.

The system strategy budget was intended for large scale central systems transformation, however we have been able to negotiate a 3 year deal with CGI as part of the As Is + project. We also do not anticipate starting any new systems related projects this financial year, i.e. new phases of BPR. Therefore, we have released £1.6m following the mid-year review due to the known projects in the pipeline.

Market Development

As per our Business Plan 2015/16 the £2m Market Development budget was included to cover a number of potential activities.

We are currently delivering this 'horizon scanning' activity using existing BSC Operational resources and whilst none of these as of yet have given rise to additional external expenditure being incurred, a clearer view and better position to scope activities is now known. We have spent £16k so far and anticipate a full year underspent of £1.8m.