

QUARTERLY REPORT Q4 2014/15: JANUARY TO MARCH 2015

The ELEXON Quarterly Report for Q4 2014/15 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 third quarter of the financial year 2014/15, 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 2014/15.

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 233 – 22 January](#)
- [ELEXON Report 234 – 16 January to 4 February](#)
- [ELEXON Report 235 – 12 February to 4 March](#)
- [ELEXON Report 236 – 13 March to 8 April](#)

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Managing and improving BSC services

Launch of our 2015/16 BSCCo Business Plan

The BSCCo Business Plan for 2015/16 was approved and published on our website. The plan is in two parts; a Business Strategy (approved by the BSC Panel) describing our key activities for the coming year, and an Annual Budget (approved by the ELEXON Board) setting out the associated costs.

Decrease in the Credit Assessment Price (CAP) to £47/MWh

On 12 February 2015 and following consultation with Trading Parties, the Credit Committee decreased the CAP to £47/MWh. The Credit Committee also agreed to change the CAP Review Trigger Level from \pm £6/MWh to \pm £5/MWh on the same day. The CAP is used to calculate Trading Parties' Credit Cover Percentage.

System Releases

The February 2015 release was completed to time, quality and budget. The final scope of the Release comprised a number of changes to the BSC systems, including those for EMR, eight approved Change Proposals, and UNIX Guest O/S upgrade for SVA/ minor applications, PARMS and Portal. All changes to BSC Systems and documentation were delivered either ahead or on the planned date, 26 February 2015.

New version of Code Administrator Code of Practice (CACoP)

On 26 February 2015, Ofgem approved new changes to the Code Administrator Code of Practice (CACoP) document. The CACoP puts forward principles for Code Administrators to follow and sets out principles applicable to a Code Modification process. It was established after Ofgem's Code Governance Review and is reviewed at least once a year by all Code Administrators.

The Code Administrators proposed several changes to the CACoP document. These were:

- To include a provision of equal opportunity for industry members to join Modification Workgroups in Principle 5.
- To provide clarification in Principle 9 and 10 to allow Fast Track Self-Governance Modifications to be exempted from consultation on legal text changes.
- To rename the Principle 12 to refer to 'metrics' rather than KPIs.
- To include a metric on the number of Fast Track Modifications raised.

The new [CACoP version 3.1](#) is available on the [Change](#) page of the ELEXON website and on the Ofgem website.

Improving the customer experience

Third Party Access Workshop

In March, ELEXON hosted a workshop to discuss the processes surrounding Third Party Access to Licence Exempt Distribution Networks.

'Introducing ELEXON' seminars

We held an 'Introducing ELEXON' seminar in February, which was fully booked, and we received excellent feedback.

Developing our services

European Developments

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The European Transparency Regulation came into force in early January and the BMRS (via BSC Modification P295) provides data to ENTSO-E's European Transparency Platform (EMFIP) as part of the GB electricity industry solution for compliance with this Regulation.

Ofgem proposed a revised role for a new Joint European Stakeholder Group as a "single touch point" for stakeholders on all GB-European matters. This was approved and the first meeting of the new format Joint European Stakeholder Group (JESG) took place in March. This new JESG merges the previous groups: ECCAF, the Joint European Standing Group and the DECC-Ofgem Stakeholder Group.

We continue to monitor developments in the European Network Codes, in particular the Network Code on Electricity Balancing. We now understand that the ACER recommended draft of this Network Code will be sent by ACER to the Commission in May.

We are participating in meetings (with DECC and Ofgem and National Grid and with the wider industry stakeholder community) on implementation models for this Network Code in GB. We have highlighted that the implementation of Project TERRE, a pilot project for specific aspects of the harmonised European balancing model in which National Grid, and hence GB, is participating, cannot be done in isolation from the current GB arrangements.

In this Quarter, ELEXON responded to several consultations with a European theme:

- ACER's call for comments on the Network Code on Electricity Balancing
- ACER and ENTSO-E's joint consultation on the role of stakeholders in European Network Code implementation
- ENTSO-E's consultation on Chapter 4 of the draft European Emergency and Restoration Network Code
- The ENTSO-E consultation on the Cost-Benefit Analysis Methodologies to be used with the European Electricity Balancing Network Code, including that on harmonising the Imbalance Settlement Period duration. This is an important Cost Benefit Analysis because eventually it may result in a change of Imbalance Settlement Period duration for GB from 30 minutes to, say, 15 minutes with the consequential changes that this may entail for systems and metering. (See the ELEXON report on this published in January, which can be found on our website here.)

All our consultation responses referred to above can be found on the [Industry Insights](#) section of ELEXON website.

In March, ACER invited ELEXON to join a stakeholder meeting for REMIT inside information platforms (as implemented under the BSC by P291 in December). ACER is proposing to standardise the data that it collects from such platforms, which in turn is likely to lead to some BSC changes. ACER is expected to publish a consultation on its ideas for standardisation in April.

ELEXON's membership application to the Association of European Energy Exchanges (Europex) has been approved and will be formally ratified by the Europex General Assembly in May.

In mid-February, we hosted a successful visit from a representative of APCS, the market operator in continental Europe (Austria) which is most similar to ELEXON.

Electricity Market Reform (EMR)

Changes to the BSC

Following consultation, DECC decided to adopt Option B for the identification of data from exempt meters by Half Hourly Data Aggregators (HHDA) in its 'Electricity Intensive Industries' (EII) policy where suppliers will need to instruct their half-hourly data aggregator (HHDA) to send the volumes supplied to specific meters directly to the EMR Settlement via a data flow.

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This meant that changes were needed to the BSC and a Code Subsidiary Document (CSD) to support these arrangements. Subsequently, the changes were laid before Parliament in January 2015, and are expected to be directed by the Secretary of State in April 2015, to become effective as part of the June 2015 Release on 25 June 2015.

EMR Role Codes implemented into Market Domain Data

Following Supplier Volume Allocation Group (SVG) approval, the EMR Role Codes will be implemented into Market Domain Data (MDD). These Role Codes are required to support new EMR-related data flows that are being introduced into the Data Transfer Catalogue.

Registration of Balancing Mechanism Units guidance document

In January, we published a new [guidance document](#) on the Registration of Balancing Mechanism (BM) Units for EMR.

This guidance is for:

- Suppliers who need to register additional BM Units (A.BMU) for Contracts for Difference Generators whose assets are registered in the Supplier Meter Registration Service (SMRS)
- CFD Generators who wish to learn about BM Units for EMR
- BSC Parties who need to register BM Units for CFD Generators or Capacity Providers whose
- Assets are registered in the Central Meter Registration Service (CMRS)

Overview of EMR Settlement Working Practice document

We also published a working practice document to provide an overview of EMR settlement process, for all the payments related to the Contracts for Difference (CFD) and Capacity Market (CM) schemes. It covers the receipt of metered data through to final reconciliation of funds.

Other Stakeholder Engagement activities

To keep our stakeholders informed of our activities in the EMR Programme during the quarter, we held a number of successful events. They included:

Supplier Implementation Event

The Low Carbon Contracts Company (LCCC) and the EMR Settlement Services (EMRS) Provider held a Supplier Implementation event on Tuesday 27 January 2015 for licensed electricity suppliers. This event focused on providing further detail on the invoicing and payment processes for EMR.

The event covered the following areas:

- What do I need to pay, when and how?
- What will I receive?
- Managing cash flow position
- What happens in the event of non-payment?

All of our event material has been published on the EMR Settlement website.

EMR Circulars

We issued 10 EMR Circulars over the quarter via the [EMR website](#).

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Smart Metering and Smarter Markets

We presented our final reports on the Profiling Settlement review to the SVG and Panel in February. The final report on reducing settlement timescales was approved by the SVG and noted by the Panel. It was recommended that a Modification be raised based on the approach where, if certain criteria (e.g. Supplier performance) are met, settlement timescales would be reduced. This would require a BSC Party to raise this Modification. The final report on dynamic switching of smart meters was approved by the SVG in February 2015. It recommended a small set of changes which we take forward in 2015.

We continued to regularly meet with Ofgem on Smarter Markets and offer our technical expertise. On Settlement Reform, we met with Ofgem since its open letter was published on 28 January setting out its next steps for settlement reform. 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 published its decision on the next stage of the Change of Supplier workstream in February. Ofgem will lead a work programme to implement reliable next-day switching on a centralised registration service (CRS), governed by the Smart Energy Code (SEC) and managed and operated by the Data and Communications Company (DCC). Ofgem propose a 5 stage plan to deliver this with implementation in 2019. Ofgem has requested that ELEXON continues to support this work with expert BSC input. We expect our support to ramp up throughout 2015.

On Data Quality and Change of Supplier, we met with Gemserv and Ofgem in February to discuss Ofgem's response to our joint working group report on data quality. Ofgem then published a letter on 24 March setting its response to this report, agreeing with its recommendations and asking industry to establish joint working group(s) to improve the accuracy of address data. ELEXON met with other code administrators and Ofgem to establish the terms of reference for this Dual Fuel Working group.. The proposed group will progress work over the summer.

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 contribute to the Ofgem lead Workstream 6 (WS6) and its sub groups. Work progressed on a draft report bringing together all the smart grid areas (visibility, distributed generation/storage, consumer, distribution of value, smart metering and community energy & energy efficiency). We expect the first draft of a collated report at the April WS6 meeting. This will be published and presented to the Smart Grid Forum in September.

Industry consultations

We responded to a number of industry consultations over the quarter:

- ACER's call for comments on the Network Code on Electricity Balancing
- ACER and ENTSO-E's joint consultation on the role of stakeholders in European Network Code implementation
- ENTSO-E's consultation on Chapter 4 of the draft European Emergency and Restoration Network Code
- The ENTSO-E consultation on the Cost-Benefit Analysis Methodologies to be used with the European Electricity Balancing Network Code, including that on harmonising the Imbalance Settlement Period duration. This is an important Cost Benefit Analysis because eventually it may result in a change of Imbalance Settlement Period duration for GB from 30 minutes to, say, 15 minutes with the consequential changes that this may entail for systems and metering.

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 233 – 22 January](#)
- [ELEXON Report 234 – 16 January to 4 February](#)
- [ELEXON Report 235 – 12 February to 4 March](#)
- [ELEXON Report 236 – 13 March to 8 April](#)

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

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GOVERNANCE AND CHANGE

Modifications

4 new Modification Proposals were raised:

- **P317** 'Changes to the Unmetered Supplies obligations in the BSC'
- **P318** 'Change of Party ID/Company Number Through Enabling Assignment'
- **P319** 'Removal of annual RMP review from PAF'
- **P320** 'Reporting on Profile Classes 5 – 8 Metering Systems after the implementation of P272'

0 Modification Proposals were withdrawn.

3 Modification Proposals were submitted to the Authority for decision:

- **P305** 'Electricity Balancing Significant Code Review Developments'
- **P309** 'Facility to enable BSC Parties to select either replacement contract notifications or additional contract notifications'
- **P316** 'Introduction of a single marginal cash-out price'

5 Modification Proposals were approved or rejected by the Authority:

- **P305** 'Electricity Balancing Significant Code Review Developments'
- **P307** 'Amendments to Credit Default arrangements'
- **P309** 'Facility to enable BSC Parties to select either replacement contract notifications or additional contract notifications'
- **P310** 'Revised Credit Cover for Exporting Supplier BM Units'
- **P316** 'Introduction of a single marginal cash-out price'

0 Modification Proposals were pending Authority decision at 31 March 2014.

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

- **P310** 'Revised Credit Cover for Exporting Supplier BM Units'

0 Modification Proposals were implemented.

Change Proposals:

13 Change Proposals were raised:

- **CP1426** 'Receipt of the D0296 flow at II'
- **CP1427** '
- **CP1428** 'Inclusion of Party Agents in the event of Post Final Settlement Runs'
- **CP1429** 'Proving Test timescales'
- **CP1430** 'Clarification to the ECVN/MVRN processes'
- **CP1431** 'Extend Site Check Exemption to Measurement Classes F and G'
- **CP1432** 'HH Default EAC by Measurement Class'

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- **CP1433** 'Clarification of which Metering Systems are captured by the P272 requirements'
- **CP1434** 'Amend the three digit numeric Line Loss Factor Class Code to an alphanumeric Code'
- **CP1435** 'Amendments to the SAA-I042 flow'
- **CP1436** 'EAC/AA and NHHDA Applications – Windows Server upgrade'
- **CP1437** 'Recommended amendments to BSCP68'
- **CP1438** 'Clarification of information required for raising a Trading Dispute'

8 Change Proposals were implemented:

- **CP1392** 'BSCP18 Bid-Offer Acceptance Related Data Corrections to the SAA system via Electronic File Transfer method, instead of manual Email method '
- **CP1395** 'Distribution of Configuration Details for Smart Meters'
- **CP1418** 'Validation of D0041 flows'
- **CP1419** 'Improving data accuracy by enabling the D0312 flow to be sent on a Change of Supplier'
- **CP1421** 'Linking BSCP520 obligations to the Operational Information Document'
- **CP1422** 'Add a DMP for an Offshore Transmission Connection Point to the HH Codes of Practice'
- **CP1425** 'Consequential changes to BSCP201 following EMR'
- **CP1427** 'Housekeeping change to BSCP503 for EMR'

BSCP40 issues:

0 BSCP40 issues were raised or remain open during this period.

Standing Issues:

0 Standing Issues were raised.

0 Standing Issue were closed.

BSC Panel and Committee Activity:

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

- Approved the BSCCo Business Strategy
- Determined to apply resolutions in accordance with Section H3.2 of the BSC in relation to a BSC Party that entered Section H Default
- Made determinations in respect of Referred Trading Dispute DA686
- Reviewed the BSC Specified Charges and agreed to reduce the SVA Specified Charge from £0.7/MSID/month to £0.6/MSID /month
- Approved the BSC Audit Scope for the period 1 April 2015 to 31 March 2015
- Appointed a new Imbalance Settlement Group (ISG) Chairman
- Appointed an Supplier Volume Allocation Group (SVG) Member and a Trading Disputes Committee (TDC) Member
- Approved revisions to the Trading Disputes Committee (TDC) Terms of Reference
- Approved revisions to the standing Terms of Reference for Modification Workgroups

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- Approved changes to the BSCCo Board Nomination Committee Terms of Reference
- Was consulted on the appointment of a BSCCo Board Director and the appointment of an Independent BSC Panel Member
- Received regular updates on the appointment of an ELEXON Chief Executive
- Considered Ofgem's proposal for a Joint European Stakeholder Group (JESG) and, subsequently, agreed that the existing European Code Coordination Application Forum (ECCAF) and the existing Joint European Standing Group (JESG), would be replaced by the new Joint European Stakeholder Group (JESG)
- Noted that the Credit Committee recommended no changes to the Credit Assessment Price review process
- Noted revisions to the BSC Panel and Panel Committee Strategic Work Programme
- Noted a report from the Profiling and Settlement Review Group (PSRG) on reducing Settlement Timescales.

Imbalance Settlement Group (ISG):

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

- Approved revisions to the Metering Dispensation Review Group (MDRG)
- Approved Estimated Transmission Losses Adjustment values for the period 1 April 2015 to 31 March 2016
- Approved CVA Line Loss Factors values for use in Settlement between 1 April 2015 to 31 March 2016
- Approved two Trading Unit Applications
- Approved two lifetime Metering Dispensations
- Approved two temporary Metering Dispensations
- Approved the following Change Proposals (CPs):
 - CP1426 'Receipt of the D0296 flow at II' (for implementation in the June 2015 Release)
 - CP1437 'Recommended amendments to BSCP68' (for implementation in the November 2015 Release)
- Rejected the following CPs:
 - CP 1420 'Allowance of mid-year LLF resubmissions due to material consumption or generation changes'
 - CP1423 'Amendments to BSCP68 following a review'.

Supplier Volume Allocation Group (SVG):

The SVG:

- Oversaw the progression of approximately 70 changes to Market Domain Data, including new profiling Technical Product Deliverables, Annual Fraction of Yearly Consumption values and Default Estimated Annual Consumption (EAC) values for use in Settlement from 1 April 2015.
- Approved the annual Supplier Volume Allocation (SVA) Line Loss Factors (LLF) for use in Settlement from 1 April 2015 – 31 March 2016.

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- Approved retrospective LLF changes for an Independent Distribution Network Operator, to correct a material Manifest Error.
- Approved five Change Proposals (CPs) as follows:
 - CP1424 'Amending the requirements for Data Aggregators to perform annual Full SMRS refreshes' (for implementation in the June 2015 Release)
 - CP1426 'Receipt of the D0296 flow at II' (for implementation in the June 2015 Release)
 - CP1427 'Housekeeping change to BSCP503 for Electricity Market Reform' (for implementation in the February 2015 Release)
 - CP1429 'Proving test timescales' (for implementation in the June 2015 Release)
 - CP1437 'Recommended amendments to BSCP68' (for implementation in the November 2015 Release).
- Rejected three CPs as follows:
 - CP1414 v2.0 'Combining LDSO and Embedded LDSOs UMS Inventories on to single LDSO MSID'
 - CP1420 'Allowance of mid-year LLF resubmissions due to material consumption or generation changes'
 - CP1423 'Amendments to BSCP68 following a review'.
- Approved the amended Supplier Volume Allocation software Configurable Items for the February 2015 Release.
- Recommended that the Panel establish an Issue Group to consider the most appropriate location for BSC requirements that support wider industry arrangements, including the risks associated with incorporating these in existing BSC Configurable Items.
- Approved version 5.5 of the Silver Spring Networks Central Management System for use in Settlement.
- Approved the hHums Equivalent Meter for use in Settlement.
- Approved revisions to the Metering Dispensation Review Group's Terms of Reference.
- Agreed the Profiling and Settlement Review Group's (PSRG's) recommendations on dynamic switching, with one addition.
- Noted, and commented on, the PSRG's:
 - conclusions on improving the accuracy of Default EACs
 - findings and recommendations on reducing Settlement timescales.

Trading Disputes Committee (TDC):

The TDC:

- Approved 1 CP
- Upheld 14 Trading Disputes
- Approved Guidance for Parties wishing to attend TDC meetings

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Performance Assurance Board (PAB):

In addition to normal work, the PAB:

- Approved the Qualification of:
 - Rhodium Energy Supply Limited as a HH and NHH Supplier
 - Osmium Energy Supply Limited as a HH and NHH Supplier
 - Palladium Energy Supply Limited as a HH and NHH Supplier
 - Iridium Energy Supply Limited as a HH and NHH Supplier
 - Green Energy UK Plc as a HH and NHH Supplier
- Approved the re-Qualification of:
 - Power Data Associates as a Meter Administrator
- Approved the Surrender of Qualification:
 - Onstream as NHHDA
- Approved:
 - Risk Evaluation Methodology 2016/17 issued for consultation
 - Scottish Power SR0074 EFR milestones
 - Increasing the gross probability and gross impact of SR0081, HH performance
 - Removal of business size and EFR adjustments when setting Risk Ratings
 - PARMS Serial SP11 to be reported on a monthly basis through the public Peer Comparison technique
 - Expansion of CVA Technical Assurance of Metering audit to include all MSID circuits
- Recommended:
 - Panel raise a Modification to amend Risk Management Plans
- Agreed:
 - P272 implementation updates
- Endorsed:
 - BSC Audit scope 2015/16
- Noted:
 - Approach to lessons learned – Scottish Power NHHDC re-Qualification
 - Siemens Operational Services EFR updates
 - It was the wrong time to move to a controls based BSC audit due to the current volume of industry change
 - EMR update
 - Line Loss Factor final report
 - P302 update – 'Improve the Change of Supplier Meter read and Settlement process for Smart Meters'

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REVIEW AGAINST THE ANNUAL BUDGET

Summary

Pending the preparation of the final year-end accounts, the provisional year to date expenditure for 2014/15 regular BSC activity is £31.1m, £5.2m (14.3%) below budget

Once taking into account costs defrayed through the EMR grant, the forecast underspend for the year is £6.8m.

Expenditure by Type

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

£m	Full Year	Var.
Operational	15.2	1.5
Demand Led	1.0	1.4
Contracted	11.2	0.7
System Strategy	1.9	1.3
Market Development	0.1	1.9
TOTAL	29.4	6.8

Unfavourable variances to budget are in brackets

Operational expenditure

The Operational expenditure for 2014/15 financial year stands at £16.8m, which represents an actual, overspend of £0.1m.

Once taking account of costs defrayed through the EMR grant, the forecast underspend for the year is £1.5m.

The EMR grant fully covers the cost of additional resources required (both those working directly on the project as well as those required as back-fill). It also recovers the cost of existing ELEXON employees based on time spent.

Demand led expenditure

The full year Demand Led expenditure is £1.0m.

This year, we have incurred £0.9m on BSC system release projects and a total cost of £0.1m on panel committee projects, impact assessments and modification proposals.

Full year expenditure is £1.4m under budget. This is due to a reduced number of modification proposals (£0.7m), reduced number of release projects, change proposals and impact assessments (£0.2m) including the release of the £0.5m strategic development budget.

Contracted expenditure

The contracted expenditure for financial year 2014/2015 is £11.2m, £5.8m of which relates to BPO services.

The budget is underspend by £0.7m. £0.5m savings due to AMD/BPO procurement project placed on hold and £0.2m savings from Party qualification and annual profiling service review.

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System strategy

Costs totalling £1.9m have been incurred relating to various system strategy projects. This includes £0.9m spent on BMRS project, £0.5m on BPR Phase 1, £0.4m on Ellaborate and £0.1m spent on other smaller projects.

Savings of £1.3m is attributable to capitalisation of BMRS project costs and funds released to counter the additional resources in operational cost which have been required to support system strategy work.

Market development

The Market development expenditure is £0.1m for 2014/15 financial year.

Full year variance of £1.9m is largely due to budget released to fund the graduate scheme in a bid to increase operational resources.