

Responses to the Draft Business Plan 2013/14

Meeting Name	BSC Panel
Meeting Date	14 February 2013
Purpose of paper	For Decision

Summary This paper provides the Panel with a summary of industry feedback on the draft Business Plan. It proposes some amendments to the Business Plan in response to industry feedback. The Panel is invited to consider the comments on the Business Plan, agree the revisions to the strategy and approve the BSCCo Business Strategy. The ELEXON Board will subsequently be asked to approve the Budget.

1. Introduction

- 1.1 We published the draft ELEXON Business Plan on 17 December for industry comment. The deadline for providing comments was 23 January (extended from 18 January). The document has been downloaded 99 times in total by external users (i.e. excluding ELEXON downloads), by 88 different individuals.
- 1.2 We have received two formal responses, from ScottishPower and SSE (see attached). ELEXON has contacted Parties pre and post the consultation deadline to discuss the Business Plan, respond to questions and gain a better understanding of views on it.
- 1.3 During the consultation period, ELEXON had discussions on the Business Plan with British Gas and RWE npower. British Gas and Npower have provided verbal feedback (summarised below) but have not submitted written responses. EDF has reviewed the Business Plan internally, but decided not to respond formally.

2. Summary of responses

ScottishPower

- 2.1 ScottishPower's response is included in Attachment A. Key points in the response are:
 - Pleased that our priority remains the efficient and quality delivery of robust BSC services.
 - Supportive of ELEXON's proactive approach to ensure that the BSC and ELEXON are fit for purpose for developments within the wholesale and retail energy markets (particularly in the context of EU developments, EMR, smart grids and smarter markets).
 - They note the internal applications/BPO Transformation work and take comfort from the fact that developments will be supported by robust business cases and the normal Board approval process.
 - Supportive of our strategy to invest in our people. They highlight the need for succession planning and personal development in order to retain staff and ensure sufficient resource to deliver the BSC services.

- They encourage us to pursue opportunities for reducing BSC costs, but note the need to budget appropriately, transparently and in consultation (well in advance) with BSC Parties.

SSE

2.2 SSE's response is included in Attachment B. Key points raised by SSE are:

- As Ofgem has commissioned the Smarter Markets work, they should bear at least some of its costs, rather than it being entirely funded by BSC Parties.
- Concerns around the costs of the application strategy and BPO transformation work (particularly the estimated £20m investment requirement for the implementation of new Central Systems). Unsupportive of these pieces of work without a more detailed business case.

British Gas

2.3 British Gas have not submitted a response, but verbally confirmed their view that the budget looks fine to them as it's similar to last year's but with the addition of some savings that have been fed in. There are no elements of the strategy or budget that caused them concern.

RWE npower

- 2.4 RWE npower have not submitted a response, but confirmed in a phone call that they were comfortable with the business plan and that there was nothing in it that they disagreed with. During the consultation period they raised two questions about the scope, cost and benefits of the internal applications project and the proposed £1.2 million budgeted for the Settlement Review work.
- 2.5 I provided npower with additional information, and reassurance that the budgeted figures are a request for funds rather than a permit to spend. On the internal applications, npower was reassured by the fact that as the project progresses, the Board will have oversight of a detailed cost benefit analysis and be asked to approve a much more detailed budget.
- 2.6 I confirmed that any work that ELEXON undertakes on the Settlement Review will be reported to the BSC Panel (who would oversee the entire piece of work) and be subject Panel scrutiny, and that the BSC Panel would be responsible for the release of funding associated with the work.
- 2.7 RWE npower was satisfied by this additional detail and confirmed verbally that they had no additional comments to make on the draft Business Plan.

EDF

2.8 EDF considered the draft Business Plan in some detail internally but decided not to formally respond, partly because of other priorities, partly because they are reasonably comfortable with it. They sought reassurance that any operational impact on Parties as a result of changes to internal IT systems would be communicated to Parties in advance and that Parties would have the opportunity to comment on and influence these changes.

3. Amendments to the Business Plan

- 3.1 There are no specific actions needed in response to industry comments. However, there are two areas where ELEXON believes there would be benefit in providing additional clarity and reassurance to BSC Parties:
- Improve the narrative in the 'Delivery of Application Strategy' section of the strategy (Priority 1) to reassure Parties that the Budget is a request for funds rather than a permit to spend; that the internal applications project will be subject to regular Board scrutiny; and that any expenditure must be approved and signed off by the Board on the basis of a robust business case. Also emphasise our intention to liaise heavily with the industry on this piece of work.
 - Improve the narrative in the 'Smarter Markets' section of the strategy (Priority 4) to reflect the fact that any work that ELEXON undertakes on the Settlement Review will be reported to the BSC Panel (who would oversee the entire piece of work) and be subject to Panel scrutiny, and that the BSC Panel would be responsible for the release of funding associated with the work.
- 3.2 The strategy has been amended to reflect these points (see revised, red-lined version of the Business Plan, Attachment C).
- 3.3 We have offered to schedule a discussion with SSE to discuss the Internal Applications Strategy and BPO Transformation Programme in more detail.

4. Business planning process – next steps

- 4.1 The timetable is included for reference in Appendix 1. As a consequence of the small number of comments received, the timetable shows a potential for bringing forward the Panel's approval of the strategy to February. If the Panel is satisfied with the amendments made to the Business Strategy, we are inviting the Panel to approve the Business Strategy at its February meeting rather than waiting until the March Panel meeting.
- 4.2 Subject to the Panel's approval of the strategy, the Board will be asked to approve the associated budget at its March meeting.
- 4.3 However, if further changes are required following discussion with the Panel, and the Panel is unable to approve the Business Strategy at its February meeting, then the decision to approve the document may be deferred to the 14 March Panel meeting. If this is the case, the ELEXON Board will be asked to approve the Budget ex-committee before 1 April.

5. Recommendations

- 5.1 The Panel is invited to:
- NOTE the comments received on the Business Plan;**
 - NOTE the actions taken by ELEXON to address the comments received;**
 - NOTE the revised Business Strategy and Budget;**
 - APPROVE the Business Strategy; and**
 - NOTE that the Board will be asked to approve the budget to deliver this strategy.**



Appendices:

Appendix 1 – 2013/14 Business Plan timetable

Attachments:

Attachment A – ScottishPower’s response to the draft Business Plan

Attachment B – SSE’s response to the draft Business Plan

Attachment C – BSCCo Business Plan (redlined with revisions). NB The final version will be designed and formatted in the same way as the draft currently published: [http://www.elexon.co.uk/wp-content/uploads/2012/12/BSCCo Business Plan 2013-14 DRAFT.pdf](http://www.elexon.co.uk/wp-content/uploads/2012/12/BSCCo_Business_Plan_2013-14_DRAFT.pdf)

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Appendix 1 – 2013/14 Business Plan timetable

	Nov	Dec	Jan	Feb	Mar	Apr
Panel	① Note Process & Key Themes	③ Review draft Strategy	⑥ Request to vary timetable	⑧ Consider & comments & revisions	⑩ Strategy approval	
Board		② Review Budget & Strategy		⑦ Consider comments & revisions	⑨ Consider & Panel comments	⑪ Approve Budget
Parties		Issue for comment → ④	⑤ Workshop			