



Draft Business Strategy

Draft BSCCo Business Strategy 2014/15

Welcome to the Balancing and Settlement Code Company (BSCCo) Business Strategy and Annual Budget for 2014/15. Part One is our Business Strategy describing our priorities and major activities, while Part Two is our Annual Budget.

Foreword by Peter Haigh, Chief Executive

"2013 was a significant year for us, characterised by change.

Against this backdrop, we delivered on a Business Plan that, once again, focused on robustly delivering BSC services while ensuring that the BSC and the BSCCo can respond to emerging market developments. Alongside the day-to-day BSC operation, we've been proud of our role in providing our skills and expertise to the industry, DECC and Ofgem.

Our position as a trusted and independent organisation has been reinforced by DECC's appointment of us as the Settlement Agent for the Contract for Difference (CfD) and Capacity Market (CM) regimes under its Electricity Market Reform (EMR) programme. This offers us a great opportunity to add value to the industry by applying our existing skills and expertise to areas above and beyond our traditional scope.

Internally, several senior Board level appointments have strengthened our capacities. As well as welcoming Michael Gibbons OBE as our new Chairman, we also have four new non-executive directors. Together they bring to our Board an excellent balance of industry and non-industry experience, combined with extensive commercial expertise from relevant backgrounds. Meanwhile, positive changes at Executive level have seen Mark Couldrick appointed as Director of Operations and Chris Rowell as Director of Transformation Delivery.

So we're now looking forward to the challenges of the year ahead with great confidence. With the right people in place to ensure we deliver the core BSC services that our customers rely on, we also have renewed motivation and drive to make improvements, seek efficiencies and – wherever appropriate, and in consultation with our stakeholders – challenge the status quo.

While the industry around us continues to change at an unprecedented pace, we'll continue to work towards a BSC strategy that our customers will be familiar with. Our plan for the next 12 months remains focussed on delivering the core BSC while also making the most of our expertise. Above all, our unique position as a source of independent expertise at the centre of the energy market means we can help develop solutions to common industry problems.



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And we're constantly looking ahead. That's why we've kept a close eye on European policy, while working with the industry to assess how our current settlement arrangements should evolve to meet future needs.

[Our core mission remains to deliver the BSC effectively, efficiently and economically, to the benefit of our customer. And our vision remains: To be a leader in the efficient transformation of energy markets – by providing shared solutions to address common industry problems.] – **[put in a box]**

Of course, none of this would be possible without the specialist technical knowledge and know-how of my colleagues who continue to impress me with their expertise and aptitude. They bring clarity to our work, for the benefit of our users, the wider industry, government, the regulator and, ultimately, the consumer."

[insert photo of PJH]

Foreword by Michael Gibbons OBE, Chairman

Although still relatively new to my role as BSCCo and BSC Panel Chairman, it's abundantly clear to me that the next few years are going to be a period of significant change in the electricity industry, and there will be a need for us all to respond to these changes. It's also clear to me that I've joined an organization that is capable, competent and one whose expertise the industry, quite rightly, values. There's a lot to do, and I, my Board and ELEXON are excited by the prospect of what lies ahead.

Despite this, I hope that BSC Parties will be reassured by our promise to continue keeping delivery of the core BSC services at the very heart of our plan for the year ahead. Intentionally, the 2014/15 BSCCo Business Plan should have a relatively familiar feel to it.

I am very pleased to have been appointed to this role and look forward to meeting the people involved and helping to take up the challenges facing the Panel and the Board.

[insert photo of MG]

Review of 2013/14 Business Strategy

Our 2013/14 Business Strategy was largely a continuation of the previous year's progress.

We aimed to maintain our expert delivery of the core BSC Services, while ensuring we fully understood the impacts of market developments on the BSC and played an active part in industry debate around future changes. This enabled us to update our medium/long-term plans for the future of settlement, help contribute solutions to system and process changes, and ensure the BSC remains fit for purpose during wider market changes.



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For the past 12 months, we've continued to focus activities around our five strategic priorities:

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

We consistently strive to achieve these priorities which have supported our mission to deliver the BSC effectively, efficiently and economically, to the benefit of our customers. And we'll continue to do so in the year ahead.

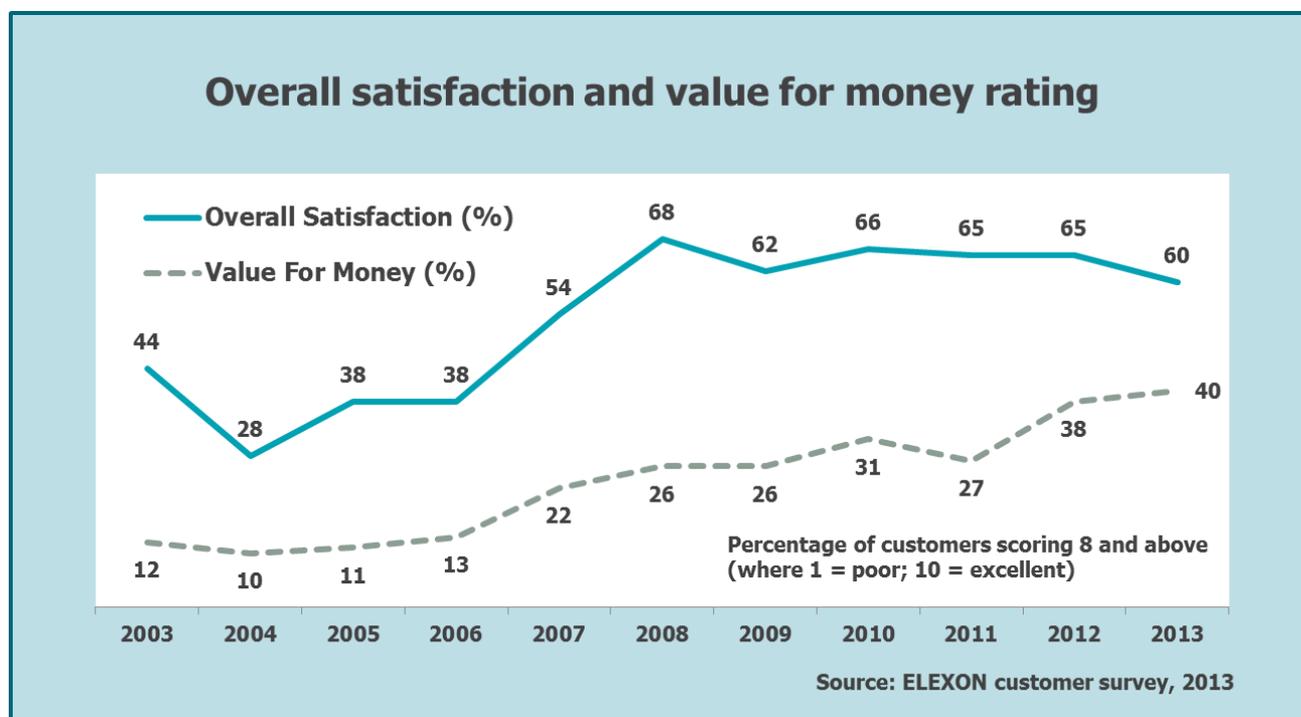
Driving efficiencies and savings in our operation of the BSC

We're always aware that all our BSC activities are funded by BSC Parties. That's why we're committed to ensuring we achieve maximum value from all our contracts. This year, we've made some substantial savings to our contracted costs through a mix of regular review of services provided and on-going challenge to our service providers to more significant overhauls during contract renewals and re-procurements. For example, the re-procurement of the Operational Audit and SVA Qualification service has resulted in 13.75% savings compared to the previous contract cost. The re-negotiated service will also bring additional benefits to our customers through numerous innovative service improvements and a new focus on highlighting the root cause of failures.

Throughout the year, we've closely monitored our expenditure and, where appropriate, revised our forecast to ensure that savings are directly fed back to BSC Parties through reduced monthly billing. **At the time of going to press (December 2013), our full annual out-turn for 2013/14 is forecast at £6.9m (18.6%) below our anticipated budget. That means forthcoming reduced costs for BSC Parties.**

We take our responsibility to operate 'efficiently, effectively and economically' very seriously. So we continually strive to deliver more, for less money. Those efforts have been rewarded by recognition from our customers. In fact, this year's annual survey results (*below*) show that **more customers than ever before perceive us as offering excellent value for money**. We'll do our utmost to maintain this impressive rating over the next 12 months.

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Actively managing and continually improving BSC services to ensure efficient, effective and economic delivery

Delivering the BSC and its core services and maintaining a set of arrangements that are fit for purpose drives all our activities. After all, it's vital that our customers have confidence in the core BSC systems, the BSC services we provide and those that BSC agents provide on our behalf.

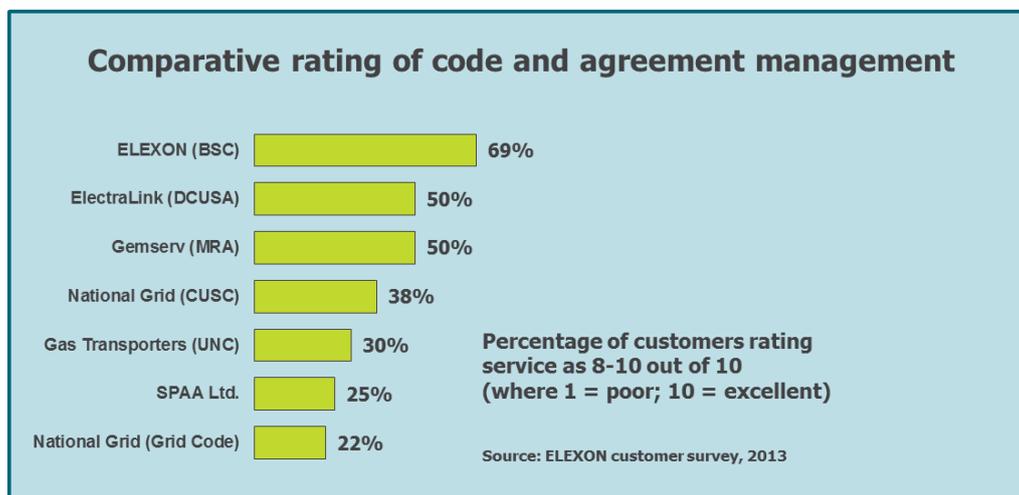
Working closely with the industry, we've undertaken a number of reviews and implemented subsequent improvements. For example, the Profiling and Settlement Review Group made a series of recommendations to address and improve the accuracy of settlement as we manage the transition to a smart metered world.

Several significant Trading Disputes put the disputes process under the spotlight this year. Responding to feedback from customers, we reviewed the disputes process and other related processes (such as the mechanisms for escalating parties to the Performance Assurance Board). This important review led to several key improvements, particularly around our approach to communicating the details and financial impact of trading disputes to affected parties.

We constantly review our processes and monitor performance against comprehensive key performance indicators by publishing monthly reports to the Panel. In addition, we assess our performance formally through our annual

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customer survey. This year's results clearly demonstrate the strength of customer perception in our services. In fact, it is significantly greater than perceptions of services provided by other code/agreement administrators.



Improving the customer experience and developing richer customer relationships

We continually strive to understand what our customers expect from us – and to deliver a service that exceeds those expectations. That's why we've taken steps to do more of the things our customers really value. For example, we've increased the number of Introductory Seminars held each year in response to sell-out sessions and consistently positive feedback.

With customers equally positive about our OSM (Operational Support Manager) service, we've recruited additional team members (with existing industry experience) to ensure all customers have access to an informed, knowledgeable OSM.

We've also actively engaged with our customers at a more senior level. Our Director of Operations, Mark Couldrick, has met with several senior customer contacts to discuss our operational strategy, as has Mark Bygraves, Director of Strategy and Development, to discuss the impact of the Significant Code Review, EMR and smart metering. We plan to continue with this programme of engagement over the next 12 months, and beyond.

Our annual customer survey offers a formal assessment of our customers' perceptions of our performance. We're proud to report that the results of this year's survey show that we've maintained the high standards of customer feedback achieved last year. Nevertheless, we're always looking to improve further. Customers have told us that whilst they have seen improvements made to the ELEXON website, further improvements are needed, particularly search capability and general navigation. So we're gathering usage data to identify what improvements we need to make to the website over the next 12 months. It's one of our main priorities for the forthcoming year.



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Developing our services and adapting our business to address industry challenges

Last year, we made a commitment to remain vigilant regarding industry change. We applied our knowledge and expertise to several areas to provide advice and guidance, while developing a deep and informed understanding of issues impacting the BSC.

It's increasingly apparent that developments in Europe will impact the BSC, particularly as finalisation of European Network Codes draw closer. These European Codes (especially the Capacity Allocation and Congestion Management (CACM) and the Electricity Balancing Network Codes) take precedence over national codes and arrangements and have the potential for significant impact on our services. Over the past 12 months, we've actively monitored and responded to consultations in Europe to fully understand potential impacts on the BSC, providing feedback based on our experience of administering the BSC arrangements. We've also worked with the industry to use existing BSC data and processes to develop a workable solution to the REMIT (Regulation on Wholesale Energy Markets Integrity and Transparency) reporting requirements. Not to mention becoming associate members of Energy UK to ensure we take part in debates on European developments more effectively and efficiently.

Smart metering has continued to be a key issue for the wider industry, and ourselves specifically. Although the bid for the DCC licensing competition had to be withdrawn, we firmly believe that our participation in the bid process enhanced the quality and competitiveness of the process – by contributing to early discussions which shaped the DCC role and ultimately providing DECC with a benchmark of technical solutions and pricing, all of which has benefitted both the industry and consumers. We learned much from our participation and are utilising this resulting knowledge and expertise.

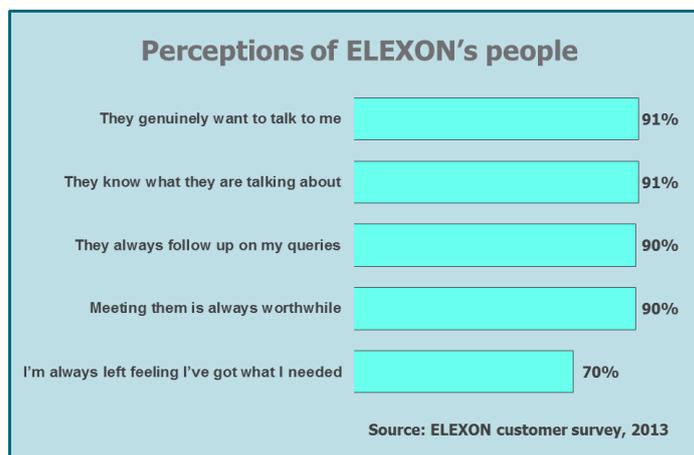
We've also started making the changes needed to the BSC and its systems and processes to implement aspects of the Government's Electricity Market Reform programme, where we are to become the Settlement Agent for Contracts for Difference (CfD) and Capacity Market. We've acted as an independent, expert advisor to DECC, and provided guidance to BSC Parties on how the payments under the CfD and Capacity Market schemes will operate. However, BSC Parties should be aware that all costs associated with implementing these arrangements are funded initially by a grant from DECC and ultimately by Suppliers under the enduring EMR regime.

Investing in our people for the benefit of the industry

Our people are at the absolute heart of the service we provide to our customers and stakeholders who repeatedly tell us how much they value the expertise and knowledge our colleagues bring. Their core skills as experts in settlement and the BSC arrangements make them a key source of independent industry advice, training and

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education. This includes regular engagement with Operational Support Managers, the BSC Service Desk, our written guidance notes, introductory seminars and tailored training sessions.



It's important that we maintain and develop this level of expertise among colleagues. So investing in our people remains a key priority for us. This includes continuing to promote learning and development, with activities ranging from lunchtime, expert-led workshops on specific areas of the industry to externally-delivered mentoring and management training. We've also launched a graduate programme to keep a continuous flow of high calibre talent entering our organisation. Adopting this dual approach means we get the best of both worlds: motivated graduates that want to learn and individuals with wider commercial experience.

Our Strategic Priorities for 2014/15

Since 2011/12, our Business Strategy has been founded on our mission and vision. We've made good progress against both the mission and vision, but there's still more to achieve to ensure they remain fit for purpose. During 2014/15, we'll continue working towards the mission and vision – so the overall strategy will be consistency:

“To deliver the BSC effectively, efficiently and economically, to the benefit of our customers”

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



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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”

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”

Most important, we must ensure that we deliver excellence in the governance and operation of the Balancing and Settlement arrangements.

To fulfil our mission, we'll:

- Actively manage, and continually improve, BSC services to ensure that we deliver in an efficient, effective and economic way
- Drive efficiencies and savings in the operation of the BSC
- Improve the customer experience and develop richer customer relationships

To pursue our vision, we'll:

- Develop BSC services to address industry challenges

To support both the mission and vision, we'll:

- Invest in our people for the benefit of our industry

Looking ahead: Achieving our key objectives

Let us explain more about our five strategic priorities – and the ways we'll proactively pursue and achieve them...



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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 the 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**

Priority 1 – Actively manage, and continually improve, BSC services to ensure that we deliver in an efficient, effective and economic way

Our overall focus and main priority continues to be the delivery of robust, effective BSC services. As custodian of the BSC, we also have a duty to support the Panel and Panel committees in delivering their obligations on behalf of the wider industry. So we'll continue to work with them to provide them assistance and analysis to fulfil their responsibilities.

Our aim is to deliver a service that exceeds our customers' expectations and makes their interactions with the BSC as straightforward as possible. Alongside this, we want to provide value for money by continually looking for innovative ways of delivering our obligations and the BSC systems and processes at a lower cost.

Perhaps most important, we want to continue our commitment to identify opportunities that improve our delivery of the BSC, its systems, processes and services to make our customers' interactions with the BSC easier.



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How we'll do it By ensuring the ongoing integrity of the BSC

By identifying and implementing improvements to the end-to-end operational delivery of the BSC

By seeking appropriate opportunities to in/outsourcing or retire functions to ensure we provide the right levels of service at the right cost

BSC Systems Strategy – Business Process Reporting

In addition to managing the out-sourced delivery of the core settlement service, we directly provide a range of data analysis, reporting and performance assurance services to the industry. These services are currently supported by a series of discrete internal applications which were developed over time as needs were identified. Data from these applications supports ELEXON, BSC Parties and the BSC Panel and Committees in discharging various BSC obligations.

In the 2013/14 Business Plan we set out a proposal to replace these ageing and diverse applications with a modern coherent application suite. By this means we sought to negate the growing concerns around robustness of the current arrangements, whilst delivering more flexible reporting arrangements and achieving lower operational costs.

We committed to listening to the needs of our users and during 2013/14 we have worked closely with BSC Parties to more fully understand their needs, whilst internally we have further assessed the status of the existing applications, the available technologies and how best to deliver the desired improvements. This work has allowed us to identify which applications should be prioritised and has concluded in the adoption of a phased approach.

As we write this strategy we have launched a procurement for a partner organisation, with the intention of starting our redevelopment work in early 2014. The initial phase will be a pilot focused on a set of the key business processes. Whilst the net effect of reviewing our approach has been to defer work and hence costs, it has ensured that going forward we are targeting the areas that are most valued by BSC Parties and of most concern to BSCCo operators.

We continue to seek replacement of the entire existing suite of applications and intend to integrate this with the changes to the BSC central systems that we are scoping as part of our wider Transformation Programme (see



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priority 2 below). Progression through the various phases will be supported by on-going assessment of the need, benefits and cost and dependent on on-going support from the BSCCo Board.

Improving data services to BSC Parties

We'll continue looking for opportunities where our data services can be improved and innovated. We recognise that we're the custodians of large tranches of BSC Parties' data, so we'll continue to work with them to explore how to make their data more comprehensible and accessible. Where a common need is identified we will work with BSC Parties to understand their needs and identify cost effective delivery options.

We'll also continue to prepare our data for new obligations that arise from market developments – for example European changes and developments that arise from the roll-out of smart metering. We've already identified an approach for using BSC data platforms in a solution to meet the transparency regulations introduced under the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), and anticipate there may be additional opportunities to use our existing data reporting functions as a more holistic 'data hub' or to act as a reporting agent to ACER. This is something on which we would like to engage with BSC Parties during the next 12 months.

Similarly, we recognise that smart metering will introduce a host of opportunities for improving the accuracy of settlement and the speed of processes. Through the Profiling and Settlement Review Group, we've been working with the industry to grapple with these issues and identify a longer term plan for improvements to settlement. This work has already been well received by BSC Parties, so we intend to progress this further in the coming year.

Support to Ofgem's Significant Code Review

In 2012, Ofgem launched a Significant Code Review looking at 'Electricity Balancing'. Throughout the review we provided support and guidance to Ofgem. At the time of writing, Ofgem is consulting with the industry on its recommended changes arising from the review. That means there'll inevitably be impact on the BSC, and a need to develop, assess and implement changes in line with Ofgem's recommendations. During 2014/15 we'll continue providing support to Ofgem and maintain a focus on implementing final solutions that are efficient, effective and economical.

BSC Panel election

The BSC requires that Panel Members are appointed for a term of two years and that Industry Panel Members are elected under rules set out in the BSC. Existing Panel members' terms of office come to an end on 30 September 2014. We'll administer the BSC Panel Elections (April-October 2014) and engage with the industry in the lead up to



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the election and put in place mechanisms to help BSC Parties take part in this important process to determine the industry Panel Members for the next two years.

Priority 2 – Drive efficiencies and savings in the operation of the BSC

We want to create additional value for our customers by driving down costs while also improving and enhancing the services we provide. Our most recent customer survey shows that our customers' perception of our value for money is higher than ever. Over the next 12 months and beyond we want to maintain and improve on this performance. So we're committed to continuously seeking ways of improving services, and implementing improvements or developments that can be justified by a robust business case.

Our contracted expenditure on the BSC agents and other contracted service providers form a significant bulk of the costs of delivering the BSC arrangements. These are usually fixed costs, but since NETA Go-Live we have consistently driven costs down each year; achieving savings through renegotiation of contracts and active agent management. This year, we've included £12m in our budget for contracted costs – that's £1.5m less than we projected in the 2013/14 budget, and £16.5m less than 2005/06. We'll continue the practice of regularly reviewing 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
do it

By promoting controlled financial management

By delivering innovation through partnership with our service providers

By securing best value from our commercial relationships.

BSC Systems Strategy – Business Process Outsourcing

Our 2013/14 Strategy outlined how we would start to evolve the BSC Central Systems to address current issues and establish capability to meet ever evolving industry needs. Whilst the current systems have served the industry well, their architecture is rooted in the last century and they are becoming increasingly difficult and expensive to maintain and develop, and the risk of failure is increasing. When this is coupled with processes that frequently reflect historic paper based exchanges and authorisations and reporting that offers limited insight into participant's data and market position, we believe that transformation is required.



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This belief is reinforced when we consider the high level of change which may be required of the central settlement systems in light of the rapidly evolving industry arrangements. The current systems are complex and bespoke and have limited ability to respond to anything other than incremental changes. Transformation offers the opportunity to make the systems and their architecture responsive and capable of meeting the continually evolving nature of energy markets.

Mirroring the work we have done in Business Process reporting (see Priority 1) we have used 2013/14 to explore the exact status of the current arrangements, to investigate different operating models and delivery technologies and to gain more insight into the needs of BSC Parties. We shall be presenting these findings to the ELEXON Board in early 2014 and thereafter seeking any required changes to the agent services prescribed in the BSC and initiating the required procurements.

Our preliminary assessment has enabled the early identification of the priority areas. Prime of these is the Balancing Mechanism and Reporting Service (BMRS) which, whilst challenged to support growing data demands, is increasingly seen as a viable central industry data platform. Faced with substantial investment to support some new reports in 2014, we are currently exploring whether these changes could be delivered through a new BMRS platform via our existing agent structure. During 2014/15 we similarly intend to investigate the systems and operating model for the funds transfer and payments arrangements. We plan to procure providers to transform and operate the central settlement systems. We have established provisions in the budget and will seek ELEXON Board agreement for release of these funds when required.

We remain committed to ensuring that the BSC processes are aligned to the services that the BSC Parties require and will continue to work with BSC Parties to ensure that any changes we make are grounded in their specific needs.

Priority 3 – Improve the customer experience and develop richer customer relationships

Our customer base is diverse, including large vertically integrated companies, small suppliers and generators, traders, National Grid, distribution network operators, regulatory and government agencies and consumer bodies. This year's customer survey told us that we need to improve our empathy for the individual needs of our customers and be more aware of the impact of the BSC on their systems, processes and businesses. To maintain our role as a trusted independent body, we recognise that we must make improvements to our customer interactions, particularly at a more strategic level.



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How we'll do it: By actively managing stakeholder relationships, with a focus on improving our engagement on strategic issues

By taking steps to better understand our individual customers' needs, expectations and requirements

By responding to specific feedback received in the 2013 customer survey

Customer relationships and the OSM service

Our customers repeatedly tell us how much they value the OSM service. That's why we'll continue to invest in our OSM service to ensure that its quality is maintained, and to ensure consistency of knowledge throughout the entire OSM team.

While the OSM service is a well-regarded method for engaging on a day-to-day basis with our operational contacts, our customers have told us that it doesn't enable meaningful interaction at a more strategic level. So we recognise the benefit of our senior team engaging more frequently with their counterparts in our customers' businesses – and we'll ensure a managed programme of senior level stakeholder engagement takes place throughout the year.

Sharing our knowledge and expertise

We're proud that our customers regard us as a key source of independent industry advice, training and education – whether through the BSC Service Desk, introduction seminars or tailored education sessions. So we'll continue to provide these events throughout 2014/15: advertising the events widely and, wherever possible, travelling further afield and providing virtual alternatives such as webinars and teleconferencing. By doing this, we want to reach the broadest range of BSC Parties possible to take advantage of our training and education services.

Facilitating debate

Our customers have told us that they value the role we play in facilitating industry debate. Over the 2014/15 period we'll continue providing opportunities for strategic engagement and inclusive debate with our customers and stakeholders, including BSC Parties, Government and regulatory bodies. Our aim is to get a better understanding of common industry problems, contribute to solving them, and gain more focussed feedback on our plans and strategy.



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We'll also continue to host and participate in industry events, giving stakeholders the opportunity to share views and ideas on what's important to the industry as well as contributing to the debate with our own knowledge. This will allow us to remain at the forefront of industry change, both supporting its development and evolution, and helping implement solutions in areas that directly impact or interact with the BSC. We'll also investigate the feasibility and demand for making Panel meetings more accessible using technology solutions such as webcasting.

Website improvements

We recognise that for many of our customers, our website is one of the main ways of interacting with us. Customers use the website to access key documents and guidance notes, sign up for training and events and keep track of industry meetings. That's why we've made some key improvements (for example, enhancing the quality of guidance notes and the clarity of information on vital subject areas such as releases). However, the 2013 survey gave us a clear message that there is still more to be done. So we'll focus on improving the search facility and review the home page content and structure to make navigation more intuitive.

Priority 4 – Develop BSC services to address industry challenges

We find ourselves, once again, in an industry characterised by unprecedented levels of change. Smart metering, European developments, market reforms and the glare of the political spotlight mean that our industry is rapidly changing and developing. So we must ensure we're fully aware of these changes, that we can contribute to the thinking behind them (where appropriate) and, most important, we must ensure the BSC reflects change, is robust to change and doesn't obstruct industry change.

We've supported the BSC Panel and wider industry in anticipating potential change and responding where we identify issues which are relevant to the BSC, or may affect the smooth operation of the BSC arrangements. Our customers have told us they value this proactive approach - so we'll continue to undertake it. We're proud of our role as a trusted and impartial industry advisor so we'll recognise the need to focus on the interests of the industry, facilitate debate and ensure absolute transparency in our reasons, arguments and recommendations.



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How we'll do it: By continuing to engage with industry, the government and regulatory bodies

By anticipating likely impacts of industry developments, reviews and technological advances

By assessing the impacts on the BSC arising from industry change, both near and long term

By contributing to the development of solutions and changes arising from industry transformation

By ensuring we maintain and develop a roadmap of changes to the BSC from current and future market developments

Support to Ofgem's Future Trading Arrangements work

Following Ofgem's consultation with industry in February 2013, it has established a Future Trading Arrangements Forum. The group is considering the principles underpinning the GB trading arrangements to support the transition of the GB market to a secure, low carbon, affordable market integrated with the wider European market.

That will 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. So we expect 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.

Smart Meters

As the smart programme moves into its implementation phase, we'll continue to ensure we understand the impact of the smart arrangements on the BSC, and make any necessary changes to the BSC systems and processes to accommodate smart metering. We've already developed several changes, but we anticipate further changes will emerge as the programme progresses.



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Smarter Markets

Smarter markets is a significant project, incorporating settlement reform, change of supplier and demand side response. We'll need to contribute to all three of these work areas. As we wait for Ofgem's consultations and conclusions on all three work-streams, we anticipate they'll all require changes to the BSC to be developed, assessed and, ultimately, implemented.

Smart Grids

As the industry considers the impact on the distribution networks through increased use of electricity and the need to accommodate distributed and intermittent generation, discussion on smart grids remains a key area of interest. As innovative smart grid technology and solutions are introduced, there could be significant consequential impacts on the BSC arrangements and BSC Parties.

Over the next 12 months, we'll keep updated on changes in this field and assess potential impacts on the BSC arrangements. We'll also monitor forums, review their outputs and offer appropriate and relevant guidance.

European Developments

European developments with the potential for significant impact on the current trading arrangements continue. In 2014, the European Network Codes (especially the Capacity Allocation and Congestion Management (CACM) and Electricity Balancing Network (EBNC) Codes) will be further developed and the GB market will need to assess what their implementation will mean for our arrangements as these European Codes take precedence over our national codes and arrangements. We'll continue to anticipate any possible impacts on the BSC. And we plan to continue providing regular updates to the BSC Panel on the implications of European developments.

In addition, we'll consult closely with GB stakeholders to ensure that impacts and issues associated with the CACM and EBNC are fully understood. Implementation will begin in 2015, so we'll ensure that we're aware of any potential changes, costs and impacts on the BSC.

BSC Governance Review

Discussions on our governance model have been taking place in various forums since 2010. Most recently, the BSCCo Board and BSC Panel jointly commissioned an independent review of BSC governance. This review (the Knight Report, published in July 2013) assessed our current governance with regard to the confines of the BSC, particularly in the light of discussions over recent years in relation to changes to BSCCo's vires. It was set up to identify how the BSCCo Board, ELEXON and Panel processes and working practices align with principles of good governance in a period of rapid evolution in the industry and whether they can deal effectively with any conflicts or



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divergence of stakeholder interest such that the industry, regulator, consumers and other stakeholders have confidence in the operation and conduct of the Panel, the BSCCo Board and ELEXON. The report has been presented to the BSC Panel and BSCCo Board, who considered its findings and agreed that it should be made available to BSC Parties. It has also been shared with Ofgem. Since then, Ofgem has responded via an open letter urging the BSCCo Board to work with the industry to develop options to address the report's recommendations and signalling that our governance should change.

While acknowledging the significant amount of time that the industry has spent since 2010 debating our governance model, we believe the Knight Report identifies several areas where our governance could be improved. That's why we intend to facilitate discussion between the BSC Panel, BSCCo Board and wider industry, building on the issues raised, to consider the Knight Report recommendations.

Electricity Market Reform (EMR) programme

Throughout 2014/15, we'll prepare for our roles as the Settlement Agent (SA) for the Contract for Difference (CfD) and Capacity Market (CM) regimes under DECC's Electricity Market Reform (EMR) programme. This will involve drafting and implementing changes to the BSC documentation and processes, as well as engaging with BSC Parties so that they understand how they'll be affected. All these costs will be covered by the DECC grant.

Priority 5 – 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 both DECC and Ofgem regularly request our advice on the detailed workings of the market arrangements and place great store in our 'independent expert' status. In addition, many overseas regulatory bodies also seek our guidance.

We want to maintain our leading position as an expert in our field. So we must maintain the right balance of skills, capability and knowledge to deliver the standards of service our customers expect. To achieve this, our robust strategy will help us retain 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 regular lunchtime training sessions provided by subject matter experts. We'll also continue to foster and encourage staff engagement, largely through our Corporate and Social Responsibility (CSR) programme.



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Last year, we used some new and innovative methods to recruit more talent into our organisation – which is a process we'll build on during 2014/15. By combining traditional recruitment techniques with social media messaging and our new 'people' pages on our website, we've recruited more efficiently and cost-effectively.

Of course, we'll also continue with 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. We also will assess staff policies to ensure they remain relevant and effective. Not to mention assessing salary reviews to ensure that our remuneration packages are comparable with the rest of the industry.

Above all, we're committed to investing sufficient time and resources in our people to ensure that our expertise and knowledge continues to benefit the industry. It's at the heart of everything we do.

Tracking our own progress

We recognise the importance of measuring and reporting on our performance. So we use performance indicators to focus on the following aspects:

- Customer perception of our value for money (customer survey)
- Customer satisfaction across a wide range of service attributes (customer survey)
- Contracted costs
- Operational costs
- Cost and speed of change to BSC systems
- Comparison with other industry organisations

We publish this data in different formats, including monthly reports to the BSC Panel, our quarterly and annual reports and specific publications around our customer survey results.

Key performance indicators to support the Code Administrators' Code of Practice requirements are published in the monthly Change Report submitted to the BSC Panel.



Draft Business Strategy

We want your feedback: how to respond

We want your feedback on the aims and initiatives described in this plan. The BSC Panel and ELEXON Board will take account of our stakeholders' views in the final Business Strategy and Budget which will be agreed and issued before 1 April 2013.

Please provide your comments on the Business Strategy and Budget victoria.moxham@elexon.co.uk. If you have any questions please contact Victoria at victoria.moxham@elexon.co.uk or 020 7380 4166.

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

Visit us at www.elexon.co.uk or contact your Operational Support Manager.