

Approval of Business Strategy 2014/15

Meeting Name	BSC Panel
Meeting Date	13 February 2014
Purpose of paper	For Decision
Summary	This paper provides the Panel with a summary of industry feedback on the draft Business Plan. The Panel is invited to consider the comments on the Business Plan 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 16 December for industry comment. We have received a response from RWE Npower (see attached). We spoke with a number of other BSC Parties; British Gas, Scottish Power, SSE, and EDF have provided verbal feedback (summarised below) but have not submitted written responses.

2. Industry feedback on the draft Business Plan

RWE Npower

- 2.1 RWE Npower's response is included in Appendix 1. Key points in the response are:
- The response notes that "ELEXON's behaviour last year in respect of pushing ahead with strategy that was clearly against industry and Panel view does not appear to be mentioned in the 2013/14 review". They have suggested that some acknowledgement of this should be included.
 - Request for clarification over some elements of the operational budget. The additional detail requested is included in the budget commentary and I have referred Npower to the relevant section.
 - Request for further information about projected headcount: why is our budgeted average headcount for 2014/15 (128.4) so much higher than the budgeted average headcount for 2013/14 (121.6). I've explained that part of the increase is offset by the four graduate roles and part of it is due to our decision to switch from contractors to permanent staff where possible (this is already included in the budget commentary).
 - Query on EMR costs – are they within the budget or excluded as the costs are covered by the DECC grant. I've reiterated the statement already included in the commentary that EMR work for both CfD and CM is excluded from the budget as it is covered by the DECC grant.

Other feedback

- 2.2 Verbally, British Gas, Scottish Power, EDF and SSE have confirmed that they are broadly happy with the strategy and budget so felt no need to submit a response in writing.

3. Amendments to the Business Plan

- 3.1 As no strong objections have been submitted on any aspect of the Business Plan, ELEXON proposes that no action is needed to amend the strategy or budget in response to industry comments. Npower have been provided with answers to the questions they raised, but we are not proposing to make any changes to reflect their first comment. This approach has been endorsed by the BSCCo Board.
- 3.2 Some minor typographical errors have been identified in the draft version which will be corrected in the final version.

4. Business planning process – next steps

- 4.1 We are inviting the Panel to approve the Business Strategy at its February 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 If further changes are required following discussion with the Panel, and the Panel is unable to approve the strategy at its February meeting, then the decision to approve the document may be deferred to the 20 March Panel meeting. If this is the case, the ELEXON Board will be asked to approve the Budget at an ad hoc board meeting before 1 April.

5. Recommendations

- 5.1 The Panel is invited to:
 - a) **NOTE** the comments received on the Business Plan;
 - b) **APPROVE** the Business Strategy; and
 - c) **NOTE** that the Board will be asked to approve the budget to deliver this strategy.

Appendices:

Appendix 1 – RWE Npower's comments on the draft business plan

Attachments:

Attachment A – BSCCo Business Plan

For more information, please contact:

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Appendix 1 - RWE Npower's comments on the draft business plan

Having reviewed the BSCCo Business Plan and Budget we wish to make the following comments:

ELEXON's behaviour last year in respect of pushing ahead with strategy that was clearly against industry and panel views does not appear to be mentioned in the 2013/14 review. We would welcome some acknowledgement that ELEXON had, to some degree, "lost its way" be included in the 2013/14 review.

Of the £1.3m increase in Operational Costs, £0.9m is attributed to "business overheads; some of this relating to contingent items, the rest to known increases or business changes that are planned for the coming year". Would it be possible for ELEXON to expand on the contributing factors to the increase in "business overheads"?

I note in Table 2 that "Other Operational Overheads" are projected to fall from £6,348k in 2014/15 to £3,256k in 2015/16. Could you provide a little more clarity around the reason for this fall? My belief is that the £3,256k projection for 2015/16 is incorrect as the "Operational Total" for 2015/16 is £17,084k. The same applies for the 2016/17 projection.

A minor observation is that the Variance to 2014 Budget in Tables 2 & 3 should read £'000 not £m.

ELEXON mention that in 2013/14 they had been operating at below the budgeted headcount for parts of the year. They have found that this is not sustainable and are therefore resourcing the business to the "appropriate level". The budgeted average employee headcount for 2013/14 was 121.6 and it is suggested they were operating at below this level for most of the year at around 111.9. However, the budgeted average employee headcount for 2014/15 is 128.4 which suggests the "appropriate level" happens to be in excess of what was budgeted for in 2013/14. Is it possible to expand on the reasoning for the need to increase staff numbers over and above what was budgeted for in 2013/14?

The Business Plan refers to EMR and ELEXON's roles as the Settlement Agent for the CFD and CM regimes. Are the costs associated with these roles inherent within the budgeted costs or are they excluded as the costs are effectively covered by the DECC grant?