

# QUARTERLY REPORT Q1 2014/15: APRIL TO JUNE 2014

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The ELEXON Quarterly Report for Q1 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

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This report summarises the operation of the Balancing and Settlement Code (BSC) for the first 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
- 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

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 223 – 21 March to 2 April](#)
- [ELEXON Report 224 – 11 April to 30 April](#)
- [ELEXON Report 225 – 9 May to 5 June](#)

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## Managing and improving BSC services

### **ELEXON to work with Hitachi Consulting UK to deliver phase 1 of the Business Process and Reporting (BPR) project**

In our Business Plan we highlighted the need to transform the set of applications that we run internally to provide reports to BSC Parties, the BSC Panel and its Committees. Over the past few months we have explored our customers' needs and aspirations, and relevant technologies. Our consistent aim has been to deliver a coherent and secure reporting suite that is easier to use and more accessible; adaptable to evolving user needs; easier and less costly to change and less reliant on manual intervention. Following a competitive procurement, we appointed Hitachi Consulting UK Ltd as the delivery organisation. Hitachi brings considerable expertise in the effective design and delivery of data warehouse/business intelligence tools and is aligned to our belief that this solution should not just focus on the technology but should focus on our customers' requirements and use.

Hitachi Consulting Vice President for EMEA David Brindle said *'We're delighted that ELEXON has chosen to place its trust in Hitachi Consulting, and look forward to enabling a great solution to the UK electricity supply industry. Hitachi has a long history in power generation, distribution, infrastructure and engineering. Working with ELEXON is a great step to bringing further Hitachi innovation to the UK, and we look forward to building on this within the UK industry.'*

For those interested in the technology, the chosen solution is built around a data warehouse and employs standard business intelligence tools. It will still support all existing reporting formats, but will also enable users to have easier and greater access to their data.

We plan to deliver the new reporting suite in three phases:

1. The initial phase will only be accessed directly by ELEXON operations staff, and will put in place the new platform focusing on a set of the key business processes (Estimated Annual Consumption (EAC)/Annualised Advances (AA) reporting and Operational Support Manager (OSM) performance reports). This phase is planned to complete in summer 2014.
2. The second phase will deliver a suite of reports and data views that BSC Parties can access directly using data from central systems, and data received directly from customers. The suite will provide secure access to data, and allow easier analysis.
3. The third phase will transform the remaining suite of reports and will add functionality to support complex "what if analysis" around the Trading Arrangements.

Our longer term vision is to provide a reporting template that addresses reporting from the central BSC systems.

### **June 2014 Release**

The June 2014 BSC Systems Release was implemented on Thursday 26 June 2014, and details of the scope of the Release are published on the [June 2014 Release](#) page of our website.

On Tuesday 10 June 2014, we issued [Change Proposal Circular CPC00742: Implementation of the June 2014 BSC Systems Release](#) to let you know what's changing for the Release, and we also issued [ELEXON Circular EL02112](#) to let you know about the BSC Agent downtime for the Release, which started on Monday 23 June and finished on Tuesday 24 June.

In accordance with the normal procedures for planned outages, submission of Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs) to Energy Contract Volume Aggregation Agent (ECVAA) were blocked and the ECVAA Credit Check was suspended during the outage.

The Balancing Mechanism Reporting Agent (BMRA) settlement calculations were also suspended during this time. All suspended activities resumed once the outage was complete.

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## Supplier Charges

At its May meeting, the Performance Assurance Board (PAB) approved the Annual Review of GSP Group Caps and Supplier Charge Values for the 2014/15 BSC Year.

The new values are published on the [Supplier Charges](#) page of the ELEXON website, along with the [paper detailing the calculations used during the review](#).

## BSC Audit Report for the year ending 31 March 2014

At its June meeting, the BSC Panel noted the BSC Auditor's Report for the year ending 31 March 2014 which details the BSC Auditor's Opinion for the period, and is accompanied by their Statement of Significant Matters.

The BSC Auditor has not sought to qualify the audit for the period ended 31 March 2014 as the total aggregate volume of all quantifiable material errors is again below the materiality threshold of 1.5TWh approved annually by the BSC Panel.

This BSC Audit Report includes the Statement of Significant Matters raised for the period ending 31 March 2014, which are:

- Errors in the capture of metered data in the half-hourly market
- Proving tests not being performed and/or communicated
- Energisation status not confirmed to data collectors
- Change of Measurement Class
- Incomplete or delayed provision of meter reads and Meter Technical Details
- Licensed Distribution System Operator de-energised processes
- Metering System Faults not resolved in a timely manner
- Non-Half-Hourly Data Aggregator D0095 exception report
- Large EAC/AA
- Issues with the Long Term Vacant process

The report also provides the auditor's findings on the controls for **Settlement Risks 0022** and **0072**. See **page 14** of the report for further information. The report is published on the [Performance Assurance Reports](#) page of the ELEXON website.

The updated BSC Baseline Statement and the BSC Sections are available on the [BSC Sections](#) page of our website.

## Annual BSC Report and ELEXON Limited Report and Financial Statements 2013/14 published

The Annual BSC Report 2013/14 and the ELEXON Limited Report and Financial Statements for the year ending 31 March 2014 were published on the [Reports, policies and publications](#) page of the ELEXON website.

The Annual BSC Report looks back at the BSC Panel's and ELEXON's activities over the 2013/14 BSC year, and highlights how ELEXON continues to be effective, efficient and economic in delivering the BSC, and how we are engaging with the many changes affecting the energy industry to ensure the BSC arrangements remain robust.

The Financial Statements reports on our activities and financial position for the year ending 31 March 2014.

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## Risk Evaluation Register Consultation and Forum

The Performance Assurance Board (PAB) endorsed the draft Risk Evaluation Register (RER) 2015/16 for industry consultation on Thursday 26 June 2014 and we distributed it to industry on Friday 27 June 2014.

We will present the consultation responses to the PAB at its meeting on Thursday 28 August 2014, where with delegated authority from the BSC Panel, PAB will approve the RER 2015/16 (subject to any changes it deems necessary).

We held a RER Forum on Monday 21 July 2014 which provided an opportunity to discuss the consultation responses informally in an open session.

## Improving the customer experience

### Changing Times: The future of energy settlement seminar: 10 July 2014

On 10 July 2014, we held a seminar to facilitate discussion and debate, as well as incorporating the Annual BSC meeting. The seminar explored the key issues shaping organisations and the wider energy industry, and discovered how ELEXON is adapting its settlement systems and customer interfaces to make them fit for your future.

Attendees gained valuable insight from a selection of high-calibre external speakers as well as being able to hear the views of ELEXON's technical experts.

Speakers included:

- Michael Gibbons OBE, ELEXON and BSC Panel Chair; Chairman of the Carbon Capture and Storage Association; Chairman of the UK National Committee of the World Energy Council (UKWEC)
- Volker Beckers, ELEXON Director and former Chief Executive at RWE npower
- Jonathan Brearley, formerly of DECC
- Rob Church, Associate Partner, Smarter Markets and Smart Metering at Ofgem

The seminar began with the Annual BSC Meeting which was attended by BSC Panel Members and members of the ELEXON Board.

The BSC Annual Report and Accounts for 2013/14 and the Business Strategy and Budget for 2014/15 were tabled, and there was an opportunity to ask ELEXON Board members or the BSC Panel questions.

### New guidance notes published

We listened to feedback and created a new page on our website to make our guidance easier for customers to find and use. There is now a dedicated [BSC Guidance Notes](#) page listing all our helpful documents under expandable category headings.

The Authority approved [Modification proposal P283: Reinforcing the Commissioning of Metering Equipment Processes](#) for implementation in the [November 2014 BSC Release](#). P283 separates out the responsibilities for the commissioning of certain Metering Equipment between the Meter Operator Agent (MOA) and the relevant network operator (distribution or transmission). Significant changes to Code of Practice 4 were made to support the Modification, and the P283 Modification Group requested that the Technical Assurance of Metering Expert Group (TAMEG) provide guidance to support the new obligations. TAMEG approved the guidance which is published on the [Changes awaiting implementation](#) page of the ELEXON website for information, pending implementation.

We use Business Unit Settlement Risk Ratings (BUSRRs) to monitor how organisations perform against the top risks to Settlement. To find out how we do this, how this could impact your organisation and what action you need to

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take, we have published a BUSRR Guidance Note in the **Supplier and Agents section** on the [BSC Guidance Notes](#) page of our website.

## **'Introducing ELEXON' seminars**

We held two 'Introducing ELEXON' seminars in April and June, both were fully booked and we received excellent feedback. The next seminar in September is already fully booked.

## **Developing our services**

### **European Developments**

Development of the European electricity Network Codes appears to have slowed recently. In light of this, the joint Code Panels' European Code Coordination Application Forum (ECCAF), which recommends how the GB Codes should be changed in light of the Network Codes, subsequently determined that it would postpone further meetings until September.

It is likely that the next draft of the European Electricity Balancing Network Code, which is likely to have a significant impact on the BSC arrangements over time, will be made public towards the end of the summer. European Network of Transmission System Operators for electricity (ENTSO-E) is re-drafting this particular Code following ACER's formal [Opinion on the draft European Electricity Balancing Network Code](#), which ACER published in late March.

ACER continues to develop the REMIT reporting requirements, some of which may come into force early next year. These mainly cover the requirement to report wholesale trades to ACER, but there are other possible requirements, eg to report Final Physical Notifications (FPNs), so we continue to monitor these developments in case they eventually also lead to BSC reporting requirements.

### **Electricity Market Reform (EMR)**

#### **Changes to the BSC**

In June 2014 the package of secondary legislation for EMR was laid in Parliament. This set out the Regulations and Code and Licence changes needed to support the EMR arrangements including the Transmission Licence, the BSC and the BSC Code Subsidiary Documents (CSDs). The BSC and CSD changes became effective on 1 August 2014.

#### **Changes to BSC Systems and processes**

To enable it to fulfil its role, the EMR Settlement Service Provider needs access to certain data that is held in the existing BSC. The BSC System changes were successfully implemented in the June 2014 Release.

#### **Establishing EMR Settlement (EMRS)**

In April following agreement with the ELEXON Board, we incorporated EMR Settlement Limited, a wholly subsidiary of ELEXON. ELEXON's appointment as the Settlement Services Provider for Contract for Difference (CfD) and Capacity Market was formalised by the successful passage of the Energy Bill setting up EMR through Parliament in December 2013. A managed services agreement was put in place setting out the arrangements for the provision of shared services and resources between ELEXON Ltd and EMR Settlement.

Contractual arrangements were set up for the provision of EMR settlement services by EMR Settlement Ltd to the Low Carbon Contracts Company (CfD Counterparty Body) and the Electricity Settlements Company (CM Settlement Body).

#### **EMR Settlement Ltd's Board**

EMR Settlement Ltd's Board is responsible for our corporate governance and oversees our procurement and contract management processes. The Board includes the Chairman, [Michael Gibbons](#) (the Chairman of the BSC Panel and

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ELEXON Board), and three directors. These are [Peter Haigh](#) (ELEXON's Chief Executive Officer), [Nigel Smith](#) (ELEXON's Chief Financial Controller) and [David Rigney](#) (Independent Non-Executive Director).

**EMR Settlement Ltd's website** [www.emrsettlement.co.uk](http://www.emrsettlement.co.uk)

In June 2014 we launched the EMR Settlement Ltd website to help EMR stakeholders understand the role and interactions of EMR Settlement Ltd within the EMR programme and, in the future, assist participants with what they need to do as part of the CfD and CM components. The EMRS website holds a wealth of information including the latest developments and news, consultations and FAQs.

## EMR Circulars

To keep informed of the work EMRS is doing as part of the EMR programme, customers can now subscribe to received EMR Circulars via the EMRS website.

## Settlements systems contract award

In June 2014 ELEXON appointed Steria UK to work as our IT and business process service provider to develop, maintain and operate the EMR settlement systems.

Procuring a large-scale settlement system for a government programme is a major milestone achievement for us, and demonstrates that we are on track to start our role as EMR Settlement Services Provider.

We chose Steria because of its solid experience and capability in building and running major IT systems for a range of high profile clients including the Ministry of Defence, BBC Worldwide, Land Registry and the Health & Safety Executive.

## Smart Metering and Smarter Markets

ELEXON supported Ofgem Smarter Markets in the next phase of its Settlement Reform work. As well as providing advice and guidance and participating in the newly formed expert groups, Ofgem has asked us to lead on two areas; assessing options for settlement timescales and data quality standards. ELEXON presented options related to settlement timescales to the Ofgem working group for consideration.

We also continue to support the Change of Supplier (CoS) work. We meet with Ofgem and other central bodies to discuss how improvements in data quality could improve the CoS experience, and Ofgem agreed to direct work which would span the next two quarters. The earlier CoS work has led to some changes being brought forward under the BSC (eg [P302: Improve the Change of Supplier Meter read and Settlement process for smart Meters](#)).

## Industry consultations

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

- Ofgem's consultation on a proposal to make a Market Investigation Reference in respect of the supply and acquisition of energy in GB
- DECC's consultation on Contract for Difference (CfD) Counterparty and electricity settlements company operational costs 2014/15
- ACER's consultation on the REMIT Trade Reporting User Manual (TRUM)
- Distribution Connection and Use of System Agreement (DCUSA) consultation on DCP179 'Amending the CDCM Tariff Structure'

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

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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 223 – 21 March to 2 April](#)
- [ELEXON Report 224 – 11 April to 30 April](#)
- [ELEXON Report 225 – 9 May to 5 June](#)

We report operational issues that affect customers in ELEXON circulars. [You can read past circulars here.](#)

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## GOVERNANCE AND CHANGE

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### Modifications

8 new Modification Proposals were raised:

- [P301](#) - Replacement of National Consumer Council by Citizens Advice and Citizens Advice Scotland
- [P302](#) - Improve the Change of Supplier Meter read and Settlement process for smart Meters
- [P303](#) - Amendments to the provisions for BSCCo Directors
- [P304](#) - Reduction in Price Average Reference (PAR) from 500MWh to 250MWh
- [P305](#) - Electricity Balancing Significant Code Review developments
- [P306](#) - Expanding the definition of a 'Letter of Credit' to include regulated insurance companies
- [P307](#) - Amendments to Credit Default arrangements
- [P308](#) - Alternative security product for securing credit under the BSC

0 Modification Proposals were withdrawn.

2 Modification Proposals were submitted to the Authority for decision:

- [P298](#) - Consequential amendments to the BSC Modification process following the implementation of Third package and other miscellaneous changes
- [P299](#) - Allow National Grid access to Metering System Metered Consumption data to support the Demand Side Balancing Reserve (DSBR) service

2 Modification Proposals were approved or rejected by the Authority:

- [P297](#) - Receipt and publication of new and revised dynamic data items
- [P299](#) - Allow National Grid access to Metering System Metered Consumption data to support the Demand Side Balancing Reserve (DSBR) service

3 Modification Proposals were pending Authority decision at 30 June 2014:

- [P272](#) - Mandatory Half-Hourly Settlement for Profile Classes 5-8
- [P283](#) - Reinforcing the commissioning of Metering equipment processes
- [P298](#) - Consequential amendments to the BSC Modification process following the implementation of Third package and other miscellaneous changes

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

- [P301](#) - Replacement of National Consumer Council by Citizens Advice and Citizens Advice Scotland

3 Modification Proposals were implemented:

- [P292](#) - Amending Supplier and Meter Operator Agent responsibilities for smart Meter Technical Details
- [P299](#) - Allow National Grid access to Metering System Metered Consumption data to support the Demand Side Balancing Reserve (DSBR) service
- [P301](#) - Replacement of National Consumer Council by Citizens Advice and Citizens Advice Scotland'

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## Change Proposals

**6** Change Proposals were raised:

- [CP1412](#) - Reporting of deleted Bid Offer Acceptances (BOAs) within the SAA-I014 report
- [CP1413](#) - Amendments to BSCP535 'Technical Assurance' following a review
- [CP1414](#) - Combining Licensed Distribution System Operator (LDSO) and Embedded LDSOs Unmetered Supplies (UMS) inventories on to single LDSO Metering System Identifier (MSID)
- [CP1415](#) - Reading submission frequency for smart Meters
- [CP1416](#) - Reading validation for smart Meters
- [CP1417](#) - Remotely disabled smart Meters

**8** Change Proposals were implemented:

- [CP1394](#) - Use of Smart Metering Equipment Technical Specification (SMETS) compliant Meters for Profiling
- [CP1397](#) - Improvements to the Balancing Mechanism Reporting System (BMRS) electricity summary page – Indicative Triad Demand Information tables
- [CP1400](#) - Amendment of the System Operator flag via BSCP18
- [CP1402](#) - Aligning the Deliverables in the Profile Administration Service Description with the Data Analyst Contract
- [CP1403](#) - Additional requirements to BSCP15 and BSCP25 for System Operators to provide more information on new connections
- [CP1404](#) - Allowing Registration of Multiple Transmission System Boundary Point on one BSCP25 form and removal of requirement for Ordnance Survey (OS) coordinates for Grid Supply Points and onshore Transmission System Boundary Points
- [CP1406](#) - Electronic version of the Self-Assessment document
- [CP1407](#) - Updates to current Line Loss Factor (LLF) audit templates

## BSCP40 issues

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

## Standing Issues

**2** Standing Issues were raised:

- [Issue 56](#) - Treatment of the new Supplementary Balancing Reserve (SBR) and Demand Side Balancing Reserve (DSBR) services in the imbalance price
- [Issue 57](#) - Should Half-Hourly Settlement be mandatory for certain Unmetered Supplies customers?

**1** Standing Issue was closed:

- [Issue 55](#) - Review of the approach to the calculation and application of Grid Supply Point (GSP) Group Correction Scaling Weights

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## BSC Panel and Committee Activity:

### BSC Panel Election 2014

The tenures of the current BSC Industry Panel Members end on 30 September 2014. The election process started in May and runs over the summer. We contacted all Trading Parties to ensure we have the right Party contact name and to confirm that our understanding of trading party groups is correct.

To become a Panel member you must be nominated by a Trading Party. We requested nominations for Panel members at the end of June, and if five or less candidates are proposed, they are automatically appointed without a formal election process. [Click here for more information on the BSC Panel election.](#)

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

- Approved the implementation of a new BSC Headline report summarising the Trading Operations Report
- Approved an application for a non-standard Letter of Credit
- Amended the Terms of Reference of its Panel Committees
- Approved the scope of the Funding Shares Audit
- Noted the annual reports from the BSC Auditor, BM Auditor and the TAA
- Appointed a new Chair of the Trading Disputes Committee
- Appointed a new Alternate Member of the Performance Assurance Board
- Noted the work undertaken by the ELEXON Board to consider BSC governance in light of the 2013 Report produced by Bill Knight OBE
- Noted updates from Ofgem on its Settlement Reform work and its Electricity Balancing Significant Code Review
- Noted regular updates from on Electricity Market Reform

### Imbalance Settlement Group (ISG)

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

- Approved two Non Standard Balancing Mechanism (BM) Units
- Deferred one Metering Dispensation (later approved)
- Approved four Metering Dispensations
- Considered one update to an ongoing Metering Dispensation
- Noted one confidential information paper from the Panel
- Noted changes to the ISG Terms of Reference

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## Supplier Volume Allocation Group (SVG)

The SVG continues to oversee and contribute to the development of the Supplier Volume Allocation (SVA) arrangements. The SVG:

- Oversaw the progression of 40 changes to Market Domain Data (MDD).
- Approved the development of a script to archive end-dated MDD records.
- Approved five Change Proposals (CPs) as follows:
  - CP1406 'Electronic version of the Self-Assessment document' (for implementation in the June 2014 Release)
  - CP1407 v2.0 'Updates to current LLF audit templates' (for implementation in the June 2014 Release)
  - CP1408 'Excessively large EAC/AA control points' (for implementation in the November 2014 Release)
  - CP1409 'Change of Measurement Class for advanced Meters' (for implementation in the June 2015 Release)
  - CP1411 'Remove exemption from Proving Tests for Code of Practice 10 Metering Systems' (for implementation in the June 2015 Release)
- Deferred its decision on CP1410 'Transfer of Outstation Level 3 Passwords for advanced Meters', pending further information.
- Agreed that ELEXON should raise a Change Proposal to amend the Supplier Volume Allocation Agent (SVAA) system, to prevent duplicate consumption entering Settlement through D0041 flows.
- Approved a confidential Metering Dispensation application (D/423) for an Offshore wind farm on a temporary basis subject to conditions.
- Approved the revised Philips CityTouch Central Management System Version 1.5 for use in Settlement.
- Recommended by majority that the BSC Panel approves revised Grid Supply Point Group Correction Scaling Weight values for Half-Hourly Import Metered Volumes, Half-Hourly Import line losses and Non-Half-Hourly Import line losses, with a prospective Effective From Settlement Date of 20 August 2014.
- Noted an urgent operational issue relating to Line Loss Factors (LLFs) which was preventing the Settlement calculations from running, the approach taken by ELEXON to resolve this issue without impacting Parties, and that ELEXON will investigate a permanent solution.
- Noted that the existing rules do not permit mid-year changes to Site Specific LLFs due to changes in site consumption, and agreed that ELEXON should review the rules in this area.
- Disbanded the Supplier and Supplier Agents Forum.

## Trading Disputes Committee (TDC):

The TDC:

- Heard 15 Trading Disputes but deferred one Dispute after TDC requested more evidence. The 14 disputes upheld had a total estimated materiality of £593k. All Trading Disputes concerned issues with SVA Metering Systems.

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## Performance Assurance Board (PAB):

In addition to normal work, the PAB:

- Approved the re-Qualification of:
  - Npower Northern Limited and Npower Yorkshire Limited as Non-Half-Hourly Data Collector.
- Approved:
  - Risk Evaluation Methodology 2015/16
  - Risk Evaluation Register 2015/16, for industry consultation
  - A Supplier's NHH performance milestones
- Agreed:
  - Proposed changes to [BSCP535: Technical Assurance](#)
- Noted:
  - BSC Auditors Report 2013/14
  - Technical Assurance Agent Annual Report 2013/14
  - Line Loss Factor audit findings
  - CVA Update on monitoring and controls
  - Content of a TDC paper on audits performed by an Licensed Distribution System Operator (LDSO)
  - Profiling and Settlement Review Group (PSRG) update on Settlement Timetable reduction and Dynamic Switching for Smart Meters
  - Electricity Market Reform (EMR) update
  - Update on [P300: Introduction of new Measurement Classes to support Half-Hourly DCUSA Tariff Changes \(DCP179\)](#)
  - Metering Dispensation D/414 update
  - Update on [Issue 49: Change of Measurement Class process for Advanced Meters](#)
  - Trading Disputes legal advice update

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## REVIEW AGAINST THE ANNUAL BUDGET

- Expenditure for the first quarter of 2014/15 is £6.8m which is £0.5m (7.2%) below budget.
- The full year forecast is currently (£70k) over budget on regular BSC activity, and the performance in this month is under budget by £227k.
- Once taking account of costs defrayed through the Electricity Market Reform (EMR) grant, the forecast underspend for the year is £1.3m.

The position against budget for the full year (FY) is summarised below.

### Expenditure by Type

| £m                 | YTD        | Var.       | Full Year   | Var.         |
|--------------------|------------|------------|-------------|--------------|
| Operational        | 3.7        | 0.1        | 16.7        | (0.1)        |
| Demand Led         | 0.2        | -          | 2.5         | -            |
| Contracted         | 2.6        | 0.2        | 11.9        | -            |
| System Strategy    | 0.3        | -          | 3.2         | -            |
| Market Development | -          | -          | 2.0         | -            |
| <b>TOTAL</b>       | <b>6.8</b> | <b>0.5</b> | <b>36.3</b> | <b>(0.1)</b> |

Unfavourable variances to budget are in brackets.

### Operational Expenditure

Full year operational expenditure is currently forecast to be £15.3m, once taking account of costs defrayed through the EMR grant, the forecast underspend for the year is £1.3m.

#### Overheads:

- These remain broadly in line with budget, although we have released £31k from the forecast due to lower than budgeted indexation costs for both the building service charge and rates.
- Overheads also include some contingent items, such as projects (£350k) and external legal support (£100k), which we are currently maintaining to budget. These are reviewed throughout the year, and funds released once we have greater certainty.

### Demand Led Expenditure

- Demand Led expenditure is £0.2m for the first quarter of the year.
- We have so far incurred £16k on the June Release, £5k on the February Release and £210k on Balancing Mechanism Reporting Service (BMRS). We anticipate the full year Demand Led costs in relation to BMRS to be c. £600k.

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- The other material areas of anticipated spend are Modification, Change Proposals and Issues (£150k), Strategic development (£500k) and potential Modifications (£1,000k). These are all currently being forecast in line with budget, and as a result we have yet to release any budget from Demand Led.

### Contracted Expenditure

- We're currently forecasting a modest underspend of £22k.
- We've recognised a reduction of £41k in forecast due to lower than budgeted contract indexation for the Business Process Outsourcing (BPO) service.
- This indexation saving is partially offset by an expected increase in the Data Transfer Service (DTS) costs as a result of higher than expected traffic.

### System strategy

- Costs of £369k have so far been incurred in the year in relation to the BMRS project.
- The remainder of the budget is being maintained at this time, as we continue to develop our overall system strategy.

### Market development

- We have only incurred around £21k in actual costs so far this year, relating to the residue of Smart Grids work, most of which was completed and accounted for in the previous year.
- As per our Business Plan 2014/15 the £2m Market Development budget was included to cover a number of potential activities. We are actively delivering this 'horizon scanning' activity using existing BSC Operational resources and whilst none of these activities have yet given rise to additional expenditure, we continue to maintain the forecast in line with budget at this time.