

QUARTERLY REPORT Q2 2014/15: JULY TO SEPTEMBER 2014

The ELEXON Quarterly Report for Q2 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 second 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 226 – 13 June to 2 July](#)
- [ELEXON Report 227 – 11 July to 6 August](#)
- [ELEXON Report 228 – 15 August to 3 September](#)

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Managing and improving BSC services

BSC Panel Election

Panel Members are appointed by election (in the case of Industry Members) or are appointed by the Panel Chairman (in the case of independent members), the Transmission Company and Citizens Advice / Citizens Advice Scotland as appropriate. We facilitated the nomination, election and appointment of Industry BSC Panel Members in July to September. Six candidates stood for the five available Industry Member positions. Trading Parties voted for these candidates in August. The two-year term of newly elected Panel runs from 1 October 2014. The result of the election and more information on the BSC Panel and its members is available on the [BSC Panel Election 2014](#) page of the ELEXON website.

Increase in the Credit Assessment Price (CAP) to £55/MWh effective from Thursday 23 October 2014

Following [consultation](#) with Trading Parties, the Credit Committee determined that the CAP would increase to **£55/MWh**, effective from Thursday 23 October 2014.

The Credit Committee also agreed that the CAP review trigger level should remain unchanged at £6/MWh. A CAP review is initiated when the difference between the reference price, calculated using forward prices, and the CAP exceeds the CAP review trigger level.

The CAP is used to calculate Trading Parties' Credit Cover Percentage so Parties may have noticed a change in their Credit Cover Percentage as a result of the CAP increase from the current value of £49/MWh.

New guidance published: Third party access guidance and Metering for Offshore wind farms

We published [new guidance](#) on the BSC requirements for customers situated within private distribution networks who are looking for a competitive supply of electricity. Generally, this is referred to as third party access, and the arrangements were introduced through changes to the obligations on private distribution networks operators which allow Suppliers to supply customers on their networks. Supplier and Licensed Distribution Network Operators will find this information helpful.

We produced [new guidance](#) on metering for Offshore wind farms which clarifies the BSC requirements for measuring and recording electricity flows for Settlement purposes at Offshore wind farms that are subject to the Offshore Transmission Regime. These are Offshore wind farms that connect onshore to the Transmission System, or a Distribution System, where the Offshore transmission assets convey electricity, from or to shore, at or above 132,000 volts (132kV). In particular the guidance emphasises the BSC requirement to measure and record the flows of electricity to a wind farm generator's assets at low voltages (eg 240/415 volts), at the onshore and Offshore substations. This guidance is aimed at designers and developers of these Offshore wind farms and the BSC Parties (Registrants) responsible for registering the Metering Equipment installed to measure and record the flows of electricity at them. The guidance will also be useful to designers of Metering Systems, which may include Meter Operator Agents.

Market Index Definition Statement (MIDS) annual review 2014

The Market Index Definition Statement (MIDS) defines the way the Market Index Price – used to determine the 'reverse' Energy Imbalance Price – is calculated. We review the MIDS annually, as required by the BSC. This year, our analysis showed that the current Individual Liquidity Threshold (ILT), timeband weightings and product weightings are suitable. However, the calculation could better reflect trades close to Gate Closure. We recommended excluding trades more than eight hours ahead of Gate Closure rather than the current 12 hours by removing timeband 6 from the calculation. We published a [consultation](#) and the results were presented to the ISG in September.

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Technical Assurance Agent Annual Report published

The Technical Assurance Agent (TAA) presented its Annual Report for the 2013/14 audit year to the BSC Panel on Thursday 12 June 2014. The report is published on the [Performance Assurance Reports](#) page of the ELEXON website, and is divided into two parts:

1. TAA Annual Report
2. TAA Annual Statistics Report, including significant issues and recommendations

There were several key messages this year. The health of the Central Volume Allocation (CVA)/Supplier Volume Allocation (SVA) Half-Hourly Metering System population was mixed:

- Over 60% of Half-Hourly Metering Systems checked had no evidence of commissioning or incomplete commissioning records
- Commissioning changes mandated by [P283: Reinforcing the Commissioning of Metering Equipment Processes](#) will be implemented in November 2014
- Current Transformer (CT)/Voltage Transformer (VT) ratio Meter programming non-compliances are increasing year on year
- The average rectification timescales, for non-compliances affecting Settlement, drifted compared to last year

However, there is good news:

- All SVA Category 1 non-compliances recorded during 2013/14 were resolved

Annual Performance Assurance Report published

We presented the Annual Performance Assurance Report (APAR) to the Performance Assurance Board (PAB) in August, and the PAB approved the document. The APAR summarises the outcome of the application of the Performance Assurance Techniques during 2013/14. [Click here to read the APAR.](#)

Risk Evaluation Register 2015/16 published

We presented the Risk Evaluation Register (RER) 2015/16 to the PAB in August. This followed responses we received to the industry consultation. PAB reviewed and approved the RER which takes effect from 1 April 2015. You can find full details of the RER documents on the [Performance Assurance Processes](#) page of our website along with the RER ledger.

New Balancing Mechanism Reporting Service (BMRS) platform: Recommended web browsers

The BMRS is the primary channel for providing operational data for the GB Electricity Balancing and Settlement arrangements to our customers.

In March 2014, the ELEXON Board and the BSC Panel (Panel 221/13) agreed that we should establish a new platform for BMRS, and that the recently approved Modifications [P291: REMIT inside information reporting platform for GB Electricity](#) and [P295: Submission and publication of transparency regulation data via the BMRS](#) should be developed on that platform. The new BMRS will be delivered in three phases. The first phase includes P291 and P295 and will go live in December this year. You will be able to access the new and existing BMRS functionality by visiting www.bmreports.com.

The new platform will be tested and supported on Internet Explorer 9 and Mozilla Firefox 24 to ensure it is fully functional on these two browsers, and we recommended to users that they use one of these browsers for optimal BMRS performance.

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We have invited participants to test this in November to identify whether browser(s) are compatible with the new BMRS platform. While we may not be able to resolve issues with each and every browser, it is useful for us to know about potentially incompatible browsers.

System prices for future pricing scenarios

BSC Modifications are expected to change the System Price calculation. To help you understand the price impact of these changes, we publish data for the following scenarios:

- Price Average Reference (PAR) 1 – Single Price
- PAR 50 – Single Price
- PAR 250 – Dual Price

PAR volume (MWh) captures the most expensive energy balancing actions remaining after a series of 'flagging' and 'tagging' operations. This is the volume used to calculate the Main Price and is a system parameter that determines how marginal the Main Price is.

Please note that the prices are for information only. They are a recalculation of the existing data only and do not account for any behavioural change. The prices are updated with the most recent data every Friday. You can download the data from the [ELEXON Portal](#).

Improving the customer experience

'Introducing ELEXON' seminars

We held an 'Introducing ELEXON' seminar in September which was fully booked and we received excellent feedback. The next seminar in November is already fully booked.

Changing times: the future of energy settlement – 10 July 2014

At this year's Annual BSC Meeting we wanted to try something different. For the first time the event, held in July, was followed immediately by a seminar – **Changing times: the future of energy settlement**. We welcomed 62 people to our offices and, based on the feedback we received, plan to hold a seminar again next year. [Click here to view the slides from both events](#).

Developing our services

European Developments

The European Electricity Balancing Network Code is the piece of European legislation that is likely to significantly impact the BSC arrangements over time. The European Network of Transmission System Operators for Electricity (ENTSO-E), the body representing European Transmission System Operators, published [a revised draft of this Code](#) on 16 September 2014.

This was the first public draft that we saw since December 2013 and is now back with ACER, the European regulatory body, to re-review before submitting it to the European Commission.

We are reviewing this latest draft and will highlight any issues we identify at appropriate industry meetings. We currently anticipate that the final version of the Code will come into force in early 2016. Before that, and when the drafting is deemed sufficiently stable, the joint Code Panels' Group European Code Coordination Application Forum (ECCAF) will consider how it best maps to existing GB Codes, including the BSC.

There were also developments in specifying the requirements to report trades and data to ACER under REMIT (the European regulation concerned with the integrity of gas and electricity markets). The European Commission

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published a draft of the legislation to enable this reporting (the REMIT Implementing Acts) and ACER published consultations on the more detailed, technical aspects of REMIT reporting.

It now appears as a result of this that Bid-Offer Acceptances in the Balancing Mechanism will now be reportable to ACER on an ad-hoc basis and only when specifically requested by ACER. At one point it appeared that regular reporting and therefore systems build might have been necessary.

Electricity Market Reform (EMR)

Changes to the BSC

In August 2014, the Secretary of State directed changes to the BSC needed for EMR. This important milestone provided the framework for us to carry out our role as the EMR Settlement Services Provider, and the change to our vires supported our position as a trusted and independent organisation at the centre of the energy industry to develop solutions to common industry problems.

A suite of secondary legislation required for EMR also came into force in August. This legislation included changes to the BSC and the BSC Code Subsidiary Documents (CSDs).

EMR Interfaces

In July, we held a workshop to discuss and agree the data that should be included on reports sent to suppliers, Contract for Difference (CfD) generators and capacity providers over the Data Transfer Service (DTS). Following this workshop we asked for feedback on the straw man data groups and data items presented at the workshop.

Then in August, a Master Registration Agreement (MRA) change proposal for a new Data Transfer Catalogue (DTC) flow was raised and sent out for impact assessment. The MRA change proposal was raised for new DTC flows for distribution of EMR invoice backing data and other EMR-related reports. However, at its meeting in September, the MRA Development Board (MDB) deferred its decision on the proposal until the beginning of October 2014.

Applicant Credit Cover Working Practice published

In August, we ran a session with prospective Capacity Providers to review the credit cover process. The response to the walkthrough was positive and we received helpful and constructive feedback.

Following this feedback, in September, we published a working practice document on the Applicant Credit Cover. The guide gave potential applicants key information on how to lodge credit cover as part of the pre-qualification criteria to enter the capacity market auction.

EMR System Implementation

During this quarter, implementation of the EMR settlement system progressed in accordance with the agreed plan with Steria. This included a number of changes to the system following the publication of DECC's response to its October 2013 consultation and the laying of Regulations. The changes were agreed with Steria with little or no impact on the overall implementation timetable.

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:

Stakeholder Engagement: Suppliers journey through CfD and Capacity Market (CM)

This event was held in July, and gave suppliers a view of the Low Carbon Contracts Company (LCCC) and EMR Settlement Ltd and how they will interact with them in the future. It also helped them prepare for implementing CfD and CM. The presentation material was published on the [EMR Settlement website](#).

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CfD Implementation events

In September, the LCCC, National Grid and the EMR Settlement Services Provider held a series of workshops to support the industry in preparation for EMR CfD. The events were designed to ensure generators were equipped to participate in the CfD and that suppliers could fulfil their obligations. We also provided an update on the CfD implementation plan, application and allocation and contract management and the supplier obligation (both forecasting and settlement preparations).

Electricity Market Reform (EMR) Settlement calendar launched

As part of our engagement activities we also launched an [EMR Settlement calendar](#) on the [EMR Settlement website](#). The calendar is used to share key information, events and deliverables we will implement as the EMR Settlement Services Provider.

EMR Circulars

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

Smart Metering and Smarter Markets

We have continued to support Ofgem's Smarter Markets work. We set out options for reducing settlement timescales from 14 months down to seven and four months, and options for centralised data processing and data aggregation which were discussed by Ofgem's expert group. We started work, in conjunction with other code administrators and a cross code group, to review the data quality arrangements supporting the consumer switching process. We responded to Ofgem's consultation on moving to reliable next day switching. In addition we continued to support Ofgem's Change of Supplier (CoS) and Demand Side Response work.

We have engaged with the Data and Communications Company (DCC) and the Smart Energy Code (SEC) Panel chair to ensure we share relevant information about future developments and areas of common interest.

Five ELEXON perspectives published

We published five new perspectives on the potential future evolution of the electricity market and the implications for Balancing and Settlement. The topics look at the implications of new smart grid technologies as well as the decentralising of electricity generation.

You can find more information about these documents below, and by visiting the **Smart Grids** section of the [Smart metering, Smarter markets and Smart grids](#) page of our website:

- **Getting the most from distributed energy resources:** A framework to understand the different types of value that distributed energy resources can bring to the electricity market. A longer report describes what local energy market trials could be undertaken.
- **Encouraging local energy supply through a local balancing unit:** A discussion of the concept of a local balancing unit to support local tariffs and how this could work within the Balancing and Settlement arrangements.
- **Maximising the value from Demand Side Response (DSR):** Modelling of the cross-party impacts that could occur from increased use of DSR amongst Suppliers, System Operators and Distribution networks, and how a central market for DSR could optimize value for the GB electricity system.
- **Electricity storage in the GB market:** Assessment of the range of business models that could be enabled through electricity storage and the implications for balancing and settlement.
- **Active management of distributed generation:** Distribution Networks are starting to make use of active network management technologies to locally manage constraints. Five potential new market models are discussed to understand how distribution level balancing may work in the future.

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Each perspective is supported by more in depth analysis which is available by contacting [Chris Allen](#).

Industry consultations

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

- ELEXON's comments on Competition and Markets Authority (CMA) Statement of Issues
- ACER's consultation on REMIT Registered Reporting Mechanisms (RRMs)
- Second DCUSA consultation on DCP 179
- Ofgem's consultation on reliable next day switching

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 226 – 13 June to 2 July](#)
- [ELEXON Report 227 – 11 July to 6 August](#)
- [ELEXON Report 228 – 15 August to 3 September](#)

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

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GOVERNANCE AND CHANGE

Modifications

6 new Modification Proposals were raised:

- [P310](#) – Revised Credit Cover for Exporting Supplier Balancing Mechanism (BM) Units
- [P311](#) – Required Housekeeping Changes to Implement P291 and P295
- [P312](#) – Required Housekeeping Changes to Implement P298 and EMR
- [P313](#) – Required Housekeeping Changes to Implement P295 and EMR
- [P314](#) – Reduction in Price Average Reference (PAR) from 500MWh to 350MWh
- [P315](#) – Publication of Gross Supplier Market Share Data

0 Modification Proposals were withdrawn.

1 Modification Proposal was submitted to the Authority for decision:

- [P300](#) – Introduction of new Measurement Classes to support Half-Hourly (HH) Distribution Connection and Use of System Agreement (DCUSA) Tariff Changes (DCP179)

0 Modification Proposals were approved or rejected by the Authority.

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

- [P272](#) – Mandatory Half-Hourly Settlement for Profile Classes 5-8
- [P286](#) – Revised treatment of Residual Cashflow Reallocation Cashflow (RCRC) for generation BM Units
- [P300](#) – Introduction of new Measurement Classes to support Half-Hourly DCUSA Tariff Changes (DCP179)

3 Modification Proposals were approved by the BSC Panel as Fast-Track Self-Governance Modifications:

- [P311](#) – Required Housekeeping Changes to Implement P291 and P295
- [P312](#) – Required Housekeeping Changes to Implement P298 and EMR
- [P313](#) – Required Housekeeping Changes to Implement P295 and EMR

2 Modification Proposals were implemented:

- [P298](#) – Consequential amendments to the BSC Modification process following the implementation of Third package and other miscellaneous changes
- [P312](#) – Required Housekeeping Changes to Implement P298 and EMR

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Change Proposals

5 Change Proposals were raised:

- [CP1418](#) – Validation of D0041 flows
- [CP1419](#) – Improving data accuracy by enabling the D0312 flow to be sent on a Change of Supplier
- [CP1420](#) – Allowance of mid-year Line Loss Factor (LLF) resubmissions due to material consumption or generation changes
- [CP1421](#) – Linking BSCP520 obligations to the Operational Information Document
- [CP1422](#) – Add a Defined Metering Point (DMP) for an Offshore Transmission Connection Point to the HH Codes of Practice

0 Change Proposals were implemented.

BSCP40 issues

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

Standing Issues

1 Standing Issue was raised:

- [Issue 58](#) – Obligation to estimate missing or correct defective Reactive Energy measurements from CVA metering systems

2 Standing Issues were closed:

- [Issue 50](#) – Customer Appointed Agents
- [Issue 51](#) – Multiple Meter Operator Agents (MOAs) and Third Party Access

BSC Panel and Committee Activity:

Open letter to BSC Parties

On 7 July 2014, Michael Gibbons [wrote to BSC Parties](#) explaining the ELEXON Board's views on ELEXON's current governance arrangements. These views were the result of the Board's consideration of the Knight Report (and independent review of ELEXON's governance arrangements, jointly commissioned by the ELEXON Board and BSC Panel). The letter identified some basic principles that any new governance model should take into account, and set out the Board's desire to seek the views of BSC Parties to feed into a solution to form the starting point for a Modification to the BSC.

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

- Revised (upon the recommendation of the Supplier Volume Allocation Group (SVG) Scaling Weights for Import and Export Metering volumes and line losses.
- Authorised provision of information to the Competition and Markets Authority (CMA) following receipt of a request from CMA for data to support its ongoing investigation.
- Considered and resolved a Section H Default arising from non-payment of BSCCo charges by a BSC Party.
- Removed a number of dormant Parties from the BSC where those Parties had been dissolved.

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- Agreed that a number of Parties in liquidation or receivership be removed from the BSC once ELEXON receives a dissolution notice for the respective Parties.
- Approved changes to the membership of SVG.
- Considered the arrangements for the referral of Trading Disputes DA686.
- Noted and commented on the findings of the lessons learned work undertaken to investigate the matters arising from Trading Dispute DA618.
- Noted the [Annual Performance Assurance Report](#).
- Noted that Ofgem had requested two reports be provided in winter 2014, for electricity and gas, to assess the current arrangements to ensure data quality and the existing issues, and to propose improvements to the Supplier switching process.
- Noted updates on the progress of work being undertaken by ELEXON's subsidiary, Electricity Market Reform Settlement Limited (EMRS), in relation to its role as the EMR Settlement Services Provider.
- Noted the results of the [2014 BSC Panel Election](#) and confirmed the appointments made by the Panel Chairman, the Transmission Company, Citizen's Advice and Distribution Businesses in accordance with the BSC.

Imbalance Settlement Group (ISG)

The ISG continues to oversee and contribute to the development of the Central Volume Allocation (CVA) arrangements. Decisions included:

- Approved six Metering Dispensations and a further two were considered for information with comments provided to the SVG.
- Approved two Non-Standard Balancing Mechanism Units.
- Approved three Trading Units.
- Approved one Credit Assessment Load Factor Appeal.
- Approved two Change Proposals.
- Reviewed three pricing parameters with recommendations to the BSC Panel. The parameters were DeMinimis Acceptance Threshold (DMAT), Continuous Acceptance Duration Limit (CADL) and Market Index Definitions Statement (MIDS). All decisions were that no change should be made to the parameters.
- Approved Line Loss Factor calculation methodologies for Licensed Distribution System Operators.

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 approximately 70 changes to Market Domain Data (MDD), including new profiling Technical Product Deliverables for use in Settlement from 1 September 2014.
- Approved five Change Proposals (CPs):
 - [CP1413: Amendments to BSCP535 'Technical Assurance' following a review](#) (for implementation in the [November 2014 Release](#))

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- [CP1415: Reading submission frequency for smart Meters](#) (for implementation in the June 2015 Release)
- [CP1416: Remotely disabled smart Meters](#) (for implementation in the June 2015 Release)
- [CP1417: Reading validation for smart Meters](#) (for implementation in the June 2015 Release)
- [CP1418: Validation of D0041 flows](#) (for implementation in the [February 2015 Release](#))
- Rejected one CP:
 - [CP1410: Transfer of Outstation Level 3 Passwords for advanced Meters](#)
- Approved the amended Non-Half-Hourly Data Aggregation Configurable Items for the November 2014 Release.
- Approved the allocation of two new Grid Supply Points (GSPs) to GSP Groups.
- Approved two Metering Dispensations from the requirements of Code of Practice (CoP) 5 on an unconditional lifetime basis, both relating to low voltage supplies at Offshore wind farms.
- Approved a Site Specific Metering Dispensation from the requirements of CoP3 on a conditional lifetime basis.
- Agreed the approach, timetable and calculation period for the annual review of Annual Fraction of Yearly Consumption values.
- Noted that the current process for calculating Default Estimated Annual Consumption (EAC) values can give rise to inaccuracies, and referred the matter to the Profiling and Settlement Review Group to consider the solution options.
- Approved the methodology statements submitted by Distributors for the 2015/16 Line Loss Factor methodology review.
- Noted a new application from Openreach for Unmetered Supplies Charge Codes, and agreed an approach to measure whether the new Charge Codes sought will deliver sufficient predictability of consumption for Settlement.

Trading Disputes Committee (TDC):

The TDC:

- Upheld 12 Trading Disputes with no deferrals. The 12 disputes upheld had a total estimated materiality of £6.5m. Ten Trading Disputes concerned issues with SVA Metering Systems, and two concerned CVA issues.

Performance Assurance Board (PAB):

In addition to normal work, the PAB:

- Approved the Qualification of:
 - Harlaxton Energy Networks Limited as a Supplier Meter Registration Agent and an Unmetered Supplies Operator
 - Economy Energy Supply Limited as a Half-Hourly Supplier
 - VAVU Power Limited as a Half Hourly and a Non-Half-Hourly Supplier
- Approved the re-Qualification of:

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- Npower Northern Limited and Npower Yorkshire Limited as Non-Half-Hourly Meter Operator Agent
- Approved:
 - Risk Evaluation Register 2015/16
 - Annual Performance Assurance Report 2013/14
- Deferred:
 - Risk Operating Plan 2015/16, for industry consultation until the October meeting
 - Switching Error and Failure Resolution (EFR) off for a Supplier until the October meeting
- Agreed:
 - 14 actions from the PAB Audit and Market Issue Workshop in July
 - To request 22 data flows from ElectraLink on an enduring basis
 - To recommend to the BSC Panel to raise a Modification on proposed changes to Risk Management Plans
- Noted:
 - No changes to the 2014/15 BSC Audit Scope
 - BSC Qualification approach to 30 September 2015
 - A change of approach to the 2015/16 BSC Audit with more focus on controls
 - ELEXON's response to the Technical Assurance Agent 2013/14 annual report
 - Escalation options open if a Supplier fails to meet agreed milestones to achieve 97%
 - Half-Hourly Performance Monitoring update and proposal
 - Legal advice on obligations to raise a Trading Dispute
 - The Profiling and Settlement Review Group's (PSRG) progress in reducing Settlement timescales
 - Options for Supplier Assurance
 - Findings from Technical Assurance of Performance Assurance Parties (TAPAP) checks on Performance Assurance Reporting and Monitoring System (PARMS) reporting

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REVIEW AGAINST THE ANNUAL BUDGET

- Following the mid-year review, expenditure for the first half of 2014/15 is £14.2m which is £0.8m (5.1%) below budget.
- We have conducted a detailed review of the operational provisions, market development activities, re-procurement activities, system strategy projects and change and Modification Proposals in the pipeline which has resulted in a £2.4m reduction due to clearer view of future activities and rephrasing of project work.
- The full year forecast stands at £33.9m for regular BSC activity.
- Considering the costs defrayed through the EMR grant, the forecast underspend for the year is £4.2m.

Expenditure by Type

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

£m	YTD	Var.	Full Year	Var.
Operational	7.5	0.1	17.1	(0.4)
Demand Led	0.6	0.2	1.7	0.8
Contracted	5.4	0.4	11.7	0.3
System Strategy	0.7	-	2.6	0.6
Market Development	-	0.1	0.8	1.1
TOTAL	14.2	0.8	33.9	2.4

Unfavourable variances to budget are in brackets.

Operational Expenditure

- The Operational expenditure for the first half of the financial year stands at £7.5m which represents a forecast underspend of £0.1m.
- Savings from legal cost, consultancy support and occupancy are offset by additional resources required to work on projects and backfill staff working on EMR.
- The full year operational expenditure is forecast to be £17.1m, which is £0.4m over budget driven by backfill for EMR.
- Once taking account of costs defrayed through the EMR grant, the forecast underspend for the year is £1.4m.

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Demand Led Expenditure

- Demand Led expenditure is £0.6m for the first half of the year. We have incurred £0.5m on BSC system release projects and £0.1m on panel committee projects.
- Full year forecast is under budget by £0.8m, which is due to a reduced number of Modification Proposals (£0.3m) and the release of £0.5m in strategic development budget.

Contracted Expenditure

Driven by the delay of the re-procurement, the year to date contracted costs are £0.4m under budget, decreasing to £0.3m for the full year forecast.

System strategy

Costs of £0.7m were incurred in the first six months of the year in relation to various system strategy projects. This includes cost for the Balancing Mechanism Reporting Service (BMRS) project (£0.5m) and other smaller projects. The full year variance of £0.6m is attributed to mid-year review of future activities.

Market Development

Full year variance of £1.1m is due to the mid-year review resulting from clearer view of activities now known.