

APPROVAL OF BSCCO BUSINESS STRATEGY 2015/16

MEETING NAME	BSC Panel
Date of meeting	12 February 2015
Paper number	234/15
Owner/author	Victoria Moxham
Purpose of paper	For decision
Classification	Public
Summary	This paper provides the Panel with a summary of industry feedback on the draft BSCCo Business Plan and a slightly amended version of the BSCCo Business Strategy. The Panel is invited to consider the comments on the Business Plan and approve the latest version of the Business Strategy. The ELEXON Board will subsequently be asked to approve the associated budget.

1. Introduction

- 1.1 We published the draft BSCCo Business Plan on 15 December 2014 for industry comment. We advertised an open session to discuss the content of the Business Plan and contacted previous responders. We received one written response from Centrica/British Gas.
- 1.2 Independent of the comments received, some changes have been made to the draft Business Plan since it was initially reviewed by the Panel. These are summarised in appendix 2.

2. Industry feedback on the draft Business Plan

- 2.1 Centrica/British Gas's response is included in appendix 1. Key points in the response are:
 - Support expressed for the five strategic priorities, particularly priorities 1 and 2¹.
 - Centrica/British Gas's support for the BSC Process Transformation work is contingent on demonstration via a business case that any costs are outweighed by benefits.
 - ELEXON should be mindful of the timing of other major industry developments and where possible avoid placing additional requirements on BSC Parties at the same time as these other changes are being implemented.
 - Disappointment that after 10 years of year on year budget reductions, the 2015/16 budget requests an increase in funding compared to the previous year.
- 2.2 We have written to Centrica/British Gas thanking them for their comments, providing clarity on our budgeting process and reassuring them that the proposed budget was subject to rigorous Board scrutiny. We also confirmed that we would continue to liaise with the industry on the BSC Process Transformation work, and that we would be presenting a business case to the Board and Panel in February. We are not proposing any changes to the Business Plan as a result of the comments received from Centrica/British Gas.

¹ 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.

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- 2.3 We received a request for clarification on the transformation budget from another BSC Party. Informal verbal feedback from BSC Parties indicated that there was nothing out of the ordinary or concerning in the draft BSCCo Business Plan and that there were too many more pressing issues being dealt with by regulatory/industry code contacts to justify a written response.

3. Amendments to the Business Plan

- 3.1 We are not proposing any amendments to the budget or strategy in response to industry comments.
- 3.2 Some minor changes need to be made to the Business Strategy to reflect the most recent version of the BSC Panel Strategic Work Programme (agreed as part of the first quarterly review undertaken by Panel Committee Chair and Panel Sponsors) and to take account of some changes to the Transformation Programme. The holding statement on the proposed Transformation Programme budget that we included in the draft has been removed. These amendments are set out in appendix 2. A redlined version of the Business Strategy text is included as attachment A.

4. Business planning process – next steps

- 4.1 Subject to the Panel's approval of the Business Strategy at its February meeting, we will ask the Board to approve the associated budget at its March meeting.
- 4.2 If further changes to the Business Strategy are needed following discussion with the Panel, and the Panel is unable to approve the strategy at its February meeting, the decision to approve the document may be deferred to the 12 March Panel meeting. In this instance, the ELEXON Board would be asked to approve the budget at an ad hoc board meeting before 1 April 2015.

5. Recommendations

- 5.1 We invite you to:
- Note the comments received on the draft BSCCo Business Plan;
 - Approve the Business Strategy; and
 - Note that the Board will be asked to approve the budget to deliver this strategy.

Appendices

Appendix 1 – Centrica/British Gas's comments on the draft BSCCo Business Plan

Appendix 2 – Changes to the Business Strategy since the draft version presented to the Panel in December 2014

Attachments

Attachment A – BSCCo Business Strategy (redlined with changes)

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Appendix 1 – Centrica/British Gas's comments on the draft BSCCo Business Plan

British Gas and Centrica are a major contributor to Elexon funding and as such we are pleased to provide our comments on your Business Strategy and Budget for 2015/16.

We view Elexon as providing an extremely important service to the electricity industry and are pleased to see that Elexon is committed to providing a consistent and reliable service.

We support the five strategic priorities outlined in your plan particularly Priority 1 "Actively manage and continually improve BSC services to ensure that we deliver in an efficient and economic way" and Priority 2 "Drive efficiencies and savings in our operation of the BSC".

We note that Priority 1 includes BSC Process Transformation with the potential for a request for further funding to support this activity. We only support replacement of Elexon systems where a full business case has been presented to the industry to demonstrate that any costs are outweighed by the benefits and the industry has been fully consulted.

Elexon should also be mindful of the timing of other major industry developments and where possible avoid placing additional requirements on BSC parties at the same time as these other develops are being implemented.

With regard to Budget that has been set for 2015/16 we are disappointed to note that Elexon is requesting an increase in funding compared to the previous year. Over the past 10 years Elexon has demonstrated an excellent track record of providing year on year budget reductions and we would urge the Elexon Board to reconsider its budget request and look to make further operational savings in line with previous years. We note Elexon is budgeted to spend 3.2 m in 2014/15 with a further 2.7m budgeted in 2015/16 on Reprocurement and Transformation – it is not clear to us what has been delivered in 2014/15 and whether this expenditure has provided value for money for customers.

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Appendix 2 - Changes to the Business Strategy since the draft version presented to the Panel in December 2014

Location	Change	Reason
Page 4, priority 1: Assessing Settlement Risks and issues	Removal of reference to EMR impacts on the Performance Assurance Framework (PAF).	To reflect changes to the BSC Panel Strategic Work Programme.
Page 5, Assessing Settlement Risks and Issues	Removal of activity: 'Energisation and disconnection'.	To reflect changes to the BSC Panel Strategic Work Programme.
Page 5, Assessing Settlement Risks and Issues	Removal of activity: 'BM Unit configuration'.	To reflect changes to the BSC Panel Strategic Work Programme.
Page 6, BSC Services & infrastructure	Removal of holding statement pending finalisation of the business case on the BSC process transformation work.	Business case presented to the Board and Panel in February 2015; holding statement no longer required in final version.
Page 6, BSC Services & infrastructure	Reference to Ofgem's consultation on a change to National Grid's licence updated to include the January 2015 consultation.	To reflect the fact that a subsequent consultation was published by Ofgem in January 2015.
Page 6, text box 'Transformation of data and reporting improvement programme'	Completion of first phase changed from 'winter 2014' to 'Q2 of 2015'.	To reflect revised project plan.
Page 9, priority 4, 'Improvements to Settlement in view of the smart roll out'	Activity description amended.	To reflect changes to the BSC Panel Strategic Work Programme.