

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

The ELEXON Quarterly Report for Q3 2015/16 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 third quarter of the financial year 2015/16, 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 2015/16.

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 (Delivering our core service)
- Driving efficiencies and savings in our operational business (Driving efficiencies)
- Improving the customer experience and developing better customer relationships (Improving the customer experience)
- Developing our services and adapting our business to address industry challenges (Addressing industry challenges)
- Investing in our people for the benefit of our industry (Investing in our people)

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 246](#) – 12 November 2015
- [ELEXON Report 247](#) – 10 December 2015
- [ELEXON Report 248](#) – 14 January 2016

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

Managing and improving BSC services

New Industry Non-Executive Director

On 4 November, Clare Duffy, UK General Manager for ESB was appointed to the ELEXON Board. Clare replaced Nigel Cornwall and joined as the third Industry Non-Executive Director.

Decrease in the Credit Assessment Price (CAP) to £42/MWh

Following consultation with Trading Parties, we decreased the Credit Assessment Price (CAP) value to £42/MWh, effective from Thursday 24 December 2015.

Risk Operating Plan (ROP) 2016/17

In November 2015, the Performance Assurance Board (PAB) endorsed the Risk Operating Plan (ROP) 2016/17 for industry consultation, and we published it for consultation on 27 November 2015.

We asked for views on the deployment and scope of Performance Assurance Techniques (PATs). We presented the consultation responses to the PAB at its January 2016 meeting. At this meeting, the PAB, with delegated authority from the BSC Panel, approved the ROP 2016/17.

System Releases

During this quarter, we implemented the November 2015 release on 5 November 2015. There were changes to the BSC Systems and new versions of BSC Sections, Code Subsidiary Documents (CSDs) and Configurable Items (CIs).

Improving the customer experience

2016/17 BSCCo Business Plan

We published the draft BSCCo Business Plan for 2016/17 to obtain feedback from BSC Parties on the aims, initiatives and budget set out in the plan.

'ELEXON Alert'

We introduced a new 'ELEXON Alert' process to get urgent messages out to the industry as early as possible. The email-only message will be sent to the existing ELEXON Circular contact list. The ELEXON Alert was introduced in response to recent industry feedback and it will provide a high-level warning of an issue in much shorter timescales. It will be followed by a more detailed ELEXON Circular.

EU-wide Cost Benefit Analysis on changes to Imbalance Settlement Period

On Monday 16 November, ELEXON, in collaboration with National Grid and Energy UK, hosted an industry information day on the cost benefit analysis from ENTSO-E on harmonising the imbalance settlement period across Europe. It was well attended and we received excellent feedback.

'Introducing ELEXON' seminar

We held an 'Introducing ELEXON' seminar on 23 November. This edition of the seminar was fully booked and well attended, and the feedback received was excellent.

P305 Industry Information Day

On Thursday 1 October 2015, we held an Industry Information Day on Approved Modification P305, which implements the findings of Ofgem's Electricity Balancing Significant Code Review. The event was fully booked and received excellent feedback.

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

Switched On: Results of our customer survey

In October, we published the results of our [annual customer survey](#). The 2015 results were our best ever and demonstrated a very high level of overall satisfaction and value for money.

New website search tool

In October, we created a new search tool to provide customers with a more engaging and useful search experience.

Developing our services

European Developments

In this quarter, EU Member States approved:

- the European Network Code on Demand Connection (more usually known as the Demand Connection Code (DCC))
- the European Network Code on Forward Capacity Allocation (FCA).

These are the fourth and fifth Network Codes and Guidelines to be approved by Member States – all in 2015.

The Agency for the Cooperation of Energy Regulators (ACER) published the most recent draft the Network Code on Electricity Balancing in July 2015. As part of this, ACER suggested that the Imbalance Settlement Period (ISP) duration should be harmonised at 15 minutes across Europe.

But this was still subject to a future cost-benefit analysis, for which data gathering across Europe started in November 2015 and lasted until January 2016. A number of scenarios were assessed; those relevant to Great Britain (GB) were reducing from the current 30-minute ISP to 15 or 5 minutes.

Because of the potential for significant impacts in GB: ELEXON, National Grid, Energy UK and Ofgem held a highly successful joint industry workshop for GB stakeholders immediately after the data collection exercise started. There were over 75 registrants and the feedback was very positive on the value of this event (94% of those who rated, rating it as 7/10 or higher).

Our final response to the data gathering exercise was submitted in January and is available on the [Industry Insights](#) page of our website.

The second meeting of the Market European Stakeholder Committee (ESC) was held in early December. The ESC is tasked with considering the implementation of all market-related Network Codes and legally binding Guidelines at the pan-European level. This meeting concentrated on Capacity Allocation and Congestion Management (CACM) Guideline; and Forward Capacity Allocation (FCA) issues. The scheduled agenda items related to electricity balancing issues were not discussed. Presentations from ESC meetings can be found on the [ENTSOE website](#).

ACER published its requirements for web feeds from REMIT inside information platforms in early October. As ELEXON provides the GB electricity REMIT inside information platform, this requires a BSC Modification to accommodate the new ACER requirements. National Grid raised this BSC Modification Proposal in November as [P329](#).

Electricity Market Reform (EMR)

EMR Settlement Services

On 8 December 2015, we informed Suppliers that Direct Debit was available for both CFD and CM payments.

When will my first payment be taken via Direct Debit In April 2015 EMRS started issuing invoices for both Contracts for Difference (CFD) and Capacity Market to Suppliers and monitoring receipt of the subsequent payments. This was

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

a significant milestone achieved in our role as EMR Settlement Services Provider. The invoicing activities continue as planned:

- Invoicing the Operational Cost Payment on a daily basis and Settlement Costs Levy Payment on a monthly basis for the current financial year.
- Refunds for the Settlement Costs Levy Payment and the Operational Cost Payment for the previous financial year.

These costs recover the operational costs for the Low Carbon Contracts Company (LCCC) and the Electricity Settlement Company (ESC) from Suppliers.

Further invoicing activities include:

- First quarterly reconciliation performed for the April 2015 to June 2015 quarter with credit notes being issued to Suppliers.

EMRS system release

On 1 October, there was the EMR Settlement System Release. The release included a number of improvements including:

- Use of the Data Transfer Network (DTN)
- Introduction of Energy Intensive Industries (EII) exemptions as per the Electricity Supplier Obligations (Amendment & Excluded Electricity) Regulations 2015
- Reporting of Interest Payment and Interest Rate groups in backing data

New Working Practices published

We updated a number of Working Practice documents relating to variety of activities across Contracts for Difference (CFD) and Capacity Market (CM). These documents can be accessed via the EMRS website.

Stakeholder Engagement activities

On 3 December 2015, EMRS co-hosted an event, which provided an overview of the Electricity Market Reform, the different roles and responsibilities of the EMR Delivery Partners.

EMR Circulars

We issued 11 EMR Circulars over the quarter; these are available on the [EMRS website](#).

Smart Metering and Smarter Markets

The Settlement Reform Advisory Group (SRAG) has now completed its work looking at the Settlement arrangements going forward in light of the smart Meter roll out. The SRAG looked at small scale Half Hourly (HH) Settlement barriers for customers currently in Profile Classes 1 to 4, data estimation and process issues, communication and guidance requirements, the impact on Settlement of unmetered export from distributed generation. The SRAG report and recommendation will be presented to the BSC Panel in February 2016. The SRAG work on supporting innovation and technology change will probably be taken forward by Ofgem within the scope of its Significant Code Review (SCR) on HH Settlement.

Our offer support to Ofgem on Demand Side Flexibility has been accepted and a meeting in January 2016 has been scheduled. Ofgem has initiated its programme of work to introduce reliable next day switching by 2019. At Ofgem's request, and with the agreement of the Panel, ELEXON is providing support and resources to the programme. This includes participation in the Business Process Design Team and membership of the External Design Advisory Group, and the Regulatory Change and Delivery Strategy user groups.

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

Ofgem also asked ELEXON to chair a dual fuel working group on address data quality and its impact on the customer switching process. ELEXON produced a report on behalf of the cross-code Address Data Working Group and presented this to Ofgem by the requested deadline of the end of November 2015. Ofgem will use the report to inform its Next Day Switching programme. Ofgem thanked ELEXON for its support in delivering market reform and referred to ELEXON as a 'role model' for others.

On Smart Grids, we contributed to the Ofgem lead Workstream 6 (WS6) and its sub groups. Workstream 6 has now finalised its report and recommendations from its sub-groups (visibility, distributed generation/storage, consumer, distribution of value, smart metering and community energy & energy efficiency) and presented it to the Smart Grid Forum. The [report has now been published](#) on the Ofgem website.

Industry consultations

We responded to four industry consultations over the quarter:

- ELEXON's response to the estimated implementation costs and timescales: locational transmission losses
- ELEXON's response to Ofgem's letter on Half Hourly Settlement
- ELEXON's response to DECC's consultation on strengthening enforcement in gas and electricity markets
- ELEXON's response to Ofgem's consultation on the future of retail market regulation

All our responses are published on the [Industry Insights](#) page of the ELEXON website.

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

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 246](#) – 12 November 2015
- [ELEXON Report 247](#) – 10 December 2015
- [ELEXON Report 248](#) – 14 January 2016

We report operational issues that affect customers in [ELEXON Circulars](#).

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

GOVERNANCE AND CHANGE

Modifications

3 new Modification Proposals were raised:

- P328 'Clarifying BSC SBR definitions to align with the BSAD and SMAF Methodology Statements'
- P329 'Changes to REMIT inside information reporting'
- P330 'Allowing ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role'

0 Modification Proposals were withdrawn.

2 Modification Proposals were submitted to the Authority for decision:

- P323 'Enabling inclusion and treatment of SBR in the Imbalance Price''
- P328 'Clarifying BSC SBR definitions to align with the BSAD and SMAF Methodology Statements'

5 Modification Proposals were approved or rejected by the Authority:

- P315 'Publication of Gross Supplier Market Share Data'
- P318 'Change of Party ID/Company Number Through Enabling Assignment'
- P321 'Publication of Trading Unit Delivery Mode'
- P323 'Enabling inclusion and treatment of SBR in the Imbalance Price''
- P328 'Clarifying BSC SBR definitions to align with the BSAD and SMAF Methodology Statements'

0 Modification Proposals were pending Authority decision at 31 December 2015.

0 Modification Proposals were approved by the BSC Panel as a Self-Governance.

7 Modification Proposals were implemented:

- P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes (DCP179)'
- P305 'Electricity Balancing Significant Code Review Developments'
- P309 'Facility to enable BSC Parties to select either replacement contract notifications or additional contract notifications'
- P319 'Removal of annual RMP review from PAF'
- P323 'Enabling inclusion and treatment of SBR in the Imbalance Price'
- P327 'Clarifications to P305 legal text'
- P328 'Clarifying BSC SBR definitions to align with the BSAD and SMAF Methodology Statements'

Change Proposals:

2 Change Proposals were raised:

- CP1451 'Allowing HH Default EACs for all HH Measurement Classes'
- CP1452 'Aligning BSCP502 with amendments to the Electricity Supply Licence'

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

8 Change Proposals were implemented:

- CP1436 'EAC/AA and NHHDA Applications – Windows Server upgrade'
- CP1437 'Recommended amendments to BSCP68'
- CP1438 'Clarification of information required for raising a Trading Dispute'
- CP1439 'Proving Test Permissible Software'
- CP1440 'Proving Test Permissible Software'
- CP1441 'Allowing the Peer Comparison technique to be reported on a Supplier Agent level'
- CP1442 'Clarifying the application process for Metering Dispensations'
- CP1444 'Extend the timescale of CoP10 Proving Tests until the implementation of P272'

BSCP40 issues:

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

Standing Issues:

1 Standing Issue was raised:

- Issue 63 'Improved reporting of event history and profile availability during outage events on the BMRS REMIT pages'

0 Standing Issues were closed.

1 Standing Issue was withdrawn:

- Issue 63 'Improved reporting of event history and profile availability during outage events on the BMRS REMIT pages'

BSC Panel and Committee Activity:

The BSC Panel

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

- Agreed with the recommendation of the ISG that no change is made to the Market Index Definition Statement (MIDS) and that an Issue Group be formed to discuss the price to apply when Net Imbalance Volume equals zero.
- Noted the content of the Annual Performance Assurance Report
- Noted the findings of the 2014/15 Funding Shares Audit
- Received an update on the results of the 2015 ELEXON customer survey
- Appointed a new alternate member of the TDC, Q8 Committee and Warm Homes Discount Reconciliation Disputes Committee
- Approved the revised BSC Panel Strategy, incorporating a Strategic Work Programme of activities to feed into the development of the annual BSCCo Business Strategy
- Received an update on a section H default and agreed to expel the Supplier concerned from the BSC
- Received an update on a section H default and agreed a set of resolutions

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

- Noted a data request from Ofgem and agreed that data could be provided by ELEXON for the purposes of monitoring and analysing the impact of BSC Modification P305
- Considered the findings and recommendations of stage 1 of the Panel Governance Review and agreed an implementation approach and timetable.
- Agreed the timetable for the consideration and approval of the annual BSCCo Business Strategy and approved the draft BSCCo Business Strategy for publication and invitation to comment
- Noted the re-appointment of the Balancing Mechanism Auditor, agreed that there would be no change in audit scope and approved the proposed BM Audit costs
- Appointed a BSC Panel representative to the Grid Code Review Panel
- Noted ELEXON's approach to delivering strategic activities
- Received an update on a trading dispute that ELEXON had taken action in response to
- Noted decisions taken by the Credit Committee and the process to change the CAP reference price setting elements and the notice period for implementing a new Cap value

Imbalance Settlement Group (ISG):

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

- Approved three Configurable Items (IDD Part 1 and 2 spreadsheets and IDD Part 2 document) that had been amended for the November 2015 Release.
- Approved one Configurable Item (BSCP65) that had been amended for the February 2016 Release.
- Approved one Metering Dispensations on a temporary basis.
- Approved one Metering Dispensation on a lifetime basis.
- Approved one Class 1 Trading Unit.
- Provided comments and direction on ELEXON's first System Price Analysis Report (SPAR).

Supplier Volume Allocation Group (SVG):

The SVG continues to oversee and contribute to the development of the SVA arrangements. The SVG:

- Oversaw the progression of over 40 changes to Market Domain Data
- Approved five Change Proposals (CPs) as follows:
 - CP1446 'Allow smart CoS agreed Disputed Reads to be entered into Settlement' (for implementation in the June 2016 Release)
 - CP1447 'Amendment to the timescales for sending the D0010 from Supplier to NHHDC on a Smart Change of Supply event' (for implementation in the June 2016 Release)
 - CP1449 'Updates to BSCP520 and SVA Data Catalogue following a review' (for implementation in the February 2016 Release)
 - CP1450 'Security requirements for CoP10 Metering Equipment' (for implementation in the February 2016 Release)
 - CP1451 'Allowing HH Default EACs for all HH Measurement Classes' (for implementation in the February 2016 Release)
- Approved the SVA software documents for the November 2015 Release

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

- Approved a Metering Dispensation, relating to Code of Practice 3, on a lifetime basis with conditions
- Approved changes to the Unmetered Supplies Operational Information Document, to introduce generic Charge Codes for unmetered Light Emitting Diode (LED) lighting Apparatus, for implementation on 15 June 2016
- Approved retrospective Line Loss Factor (LLF) changes for a Licensed Distribution System Operator's affected LLF Classes, to correct a material Manifest Error

Trading Disputes Committee (TDC):

The TDC:

- The TDC Upheld 14 Trading Disputes with a total approximate materiality of £ 19.5M.
- This includes an emergency TDC meeting held in November for Trading Disputes DA771 – npower (£14M)

Performance Assurance Board (PAB):

In addition to normal work, the PAB:

- Approved the Qualification of:
 - HH and NHH Meter Operator Agent
 - TMA Data Management Ltd
- HH and NHH Supplier
 - Avro Energy
 - Breeze Energy Supply Limited
 - Cyclone Energy Supply Limited
 - Mistral Energy Supply Limited
 - Tailwind Energy Supply Limited
 - Tornado Energy Supply Limited
 - Zephyr Energy Supply Limited
- Approved:
 - Change of Ownership – ICTIS (UK) Ltd as a Meter Administrator
 - Risk Operating Plan 2016/17
 - Annual Performance Assurance Timetable 2017/18
 - Parties and Party Agents engaged in the P283 (Commissioning) process to be placed in EFR where non-compliances identified during TAPAP checks
- Noted:
 - Options for escalating performance issues to the BSC Panel and determined EFR escalation to be on a case-by-case basis
 - Trading Disputes DA771 – npower HHDA update
 - KPMG npower HHDA report

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

- DTN data analysis update
- DUAL Energy Supplier Migration Plan
- PAB 2016 meeting dates
- Scottish Power (SPOW and MANW) Supplier NHH performance (SR0074)
- BSC Audit Approach 2015/16
- Performance Assurance Framework KPI review
- EMR Update
- November 2015 Release update

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

REVIEW AGAINST THE ANNUAL BUDGET

Summary

The provisional year to date expenditure for the third quarter of 2015/16 is £21.9m, £4.3m (16.4%) below budget. The full year forecast stands at £30.7m, £7.1m (18.9%) below budget.

The material underspends in the quarter and in the full year forecast, is largely driven by the change of approach regarding the transformation work. Both employee and system strategy costs included material contingencies at the time we prepared the 15/16 budget to enable a wholesale change in systems. After further analysis, we concluded that now was not the time for such a significant transformation and as a consequence we have been able to return a material proportion of this area of budget to BSC parties.

Expenditure by Type

The position against budget is summarised below:

£m	YTD	Var.	Full Year	Var.
Operational	11.1	1.3	15.4	2.2
Demand Led	1.0	0.4	1.6	0.3
Contracted	9.3	0.9	12.7	1.1
System Strategy	0.5	1.5	1.0	1.6
Market Development	-	0.2	-	1.9
Total Elexon	21.9	4.3	30.7	7.1

Unfavourable variances to budget are in brackets

Operational Expenditure

The Operational expenditure year to date stands at £11.1m, with an underspend of £1.3m (10.3%). The full year forecast stands at £15.4m with an expected underspend of £2.2m (12.4%).

Demand Led Expenditure

The full year expenditure is expected to be slightly under budget at this time at £1.6m.

We have incurred £933k on release projects.

We have incurred a year to date cost of £97k on Impact assessment, Modification proposals, and Panel committee projects.

We are still expecting costs of £188k relating to November 15, February and June 16 releases to be incurred in the 15/16 financial year.

QUARTERLY REPORT Q3 2015/16: OCTOBER TO DECEMBER 2015

Contracted Expenditure

The contracted expenditure year to date is £9.3m, £5.2m of which relates to BPO services.

The full year forecast is expected to be £12.7m, with an underspend of £1.1m which relates to:

- £384k savings for Operation & Maintenance of our BPR system due to a rephrasing of go-live.
- £480k from the tech refresh budget that we do not anticipate using this year, as most upgrades on the central systems will be included in the As Is+ transition plan which is currently underway.
- we have released £90k in relation to exit costs with G4S and Meniscus following the Board approval to extend the profiling contracts
- £150k savings due to lower than budgeted indexation on BPO fixed cost.

System strategy

Costs of £504k have been incurred year to date; £272k relates to the new Balancing Mechanism Reporting System project, £128k relates to the new Business Process Reporting and £104k to the AS IS+ project.

The system strategy budget was originally intended for large scale central systems transformation; however after further consideration we negotiated a 3 year contract with CGI as part of the As Is + project to deliver the BPO and AMD services to at least 30 March 2020. We also do not anticipate starting any new systems related projects this financial year. i.e. new phases of BPR. Therefore, we have released £1.6m following the mid-year review due to the known projects in the pipeline.

Market Development

As per our Business Plan 2015/16 the £2.0m Market Development budget was included to cover a number of potential activities. We are currently delivering this 'horizon scanning' activity using existing BSC Operational resources and whilst none of these have as yet given rise to additional external expenditure being incurred, a clearer view and better position to scope activities is now known. This area of our budget is tightly controlled and ring fenced purely for development activity. We have spent £22k so far and anticipate a full year underspend of £1.96m.