Mark Bygraves
Chief Executive
ELEXON Ltd
350 Euston Road
London NW1 3AW

10 January 2019

Dear Mark,

I am writing to you on behalf of the BSC Panel in my capacity as its Deputy Chairman. The Panel has asked me to write to you in order to express its collective views on the draft BSCCo Business Plan 2019-20.

Overall, the Panel is extremely supportive of the business plan and associated budget. The Panel welcomes the fact that in drafting the plan, ELEXON has recognised the range of challenges facing it over the coming year and beyond, and fully supports the cost implications.

The Panel has asked me to make some additional comments, highlighted below:

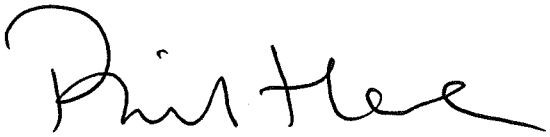
- The plan describes well the significant volume of work that lies ahead for ELEXON. In conjunction with delivering 'business as usual' to the normal high standard that the industry has come to expect, there will also be a need for ELEXON to develop and innovate in an ever-evolving market and react to complex industry situations (e.g. the recent effort to offer an expedient solution to the CM impasse). The Panel believes that this challenge is well reflected in the Business Plan.
- The Panel also felt it would be useful if the proposed strategy could explore further the opportunities provided by the Electricity Market sandbox introduced by BSC Modification Proposal P362.
- While the Panel notes the deliberate ring-fencing between work undertaken by ELEXON and EMR Settlement Ltd, it thinks that more detail on the impact on the BSCCo budget if the LCC and ESC contracts were to be lost, could be useful. Other business risks and mitigations could also be articulated.
- The Panel supports the Foundation programme to develop the IT systems and the strategy to create a platform that has necessary flexibility and reliability in the coming years. While the Panel acknowledges the costs of the programme, ELEXON could consider ways in which these may be spread over more than one year, and therefore not be paid for by the current Parties only.
- ELEXON's strategy of developing internal talent combined with ongoing recruitment for the right type and quality of staff is a good approach, and the Panel supports such clear focus on the people aspects of the business and the associated budget costs. The Panel would also welcome more commentary on how ELEXON plans to retain highly qualified staff when they attractive to the wider market.
- The Panel notes and supports the significant resources in the Plan to provide thorough training to new entrants and Parties in general as the Code evolves. While it is arguable that this is to the benefit of the entire sector, the Panel has some concerns that in practical terms this also means that existing Parties are paying for the training of new entrants and the value of this effort is not fully recognised.
- The Panel notes that ELEXON has made provision in the 2019-20 plan to continue providing best in class training for new entrants. Some Panel members have voiced the opinion that, whilst they acknowledge ELEXON's expertise in this area and understand the value of this to a degree, they feel that new entrants and Ofgem must take more responsibility for ensuring

fitness to operate in the market, and that it is unfair for the bulk of the financial burden of training to fall to the larger, existing BSC Parties. Some Panel members (although not all) believe that ELEXON should be able to put in place mechanisms to charge for the time, effort and knowledge associated with delivery of training.

In conclusion, the Panel is supportive of both the draft strategy and budget and fully endorses both. It believes that the strategic setting of the report is commendable and achieves the right balance between supporting existing market arrangements and enabling innovation.

The Panel is content for this response to be made publically available.

Yours sincerely,



Phil Hare

Deputy Panel Chairman