

8 January 2020

Dear BSC Party

ELEXON BOARD – CIRCULAR LETTER TO BSC PARTIES NO 6

This is the latest in what is now a firmly established regular communication with BSC Parties and our stakeholders on the key activities of ELEXON's Board.

As you will be aware, the ELEXON Board is largely comprised of non-executive directors, a majority of whom were appointed because of their experience and seniority within the industry. Our Board members are therefore acutely aware both of the significant pressures that our customers are under and the unprecedented levels of change currently impacting the energy sector. Those burdens have been at the forefront of our discussions and decisions throughout the year, which led us to be even more focussed on how ELEXON and the central industry arrangements can evolve to better support our customers, stakeholders and the wider energy market players. In particular, we have been focussing on the effective delivery of ELEXON's Foundation Programme; the simplification and consolidation of the industry codes through the Ofgem/BEIS Codes Review and the development of the Retail Energy Code.

BSCCo Business Plan and Budget for 2020/21

We have just published our [draft Business Plan](#) for the next financial year which focusses on supporting our customers to meet the demands of an ever changing energy landscape. In particular, we set out how we will:

- continue to provide our existing services to industry leading standards
- enable and support innovative consumer-facing solutions
- consolidate and simplify central market arrangements
- engage with our stakeholders and deliver a truly customer-centric service
- provide a flexible, scalable, open digital platform to meet the changing energy market
- support our customers in delivering the challenges of net zero

Again, conscious of how much is going on within the energy sector and the competing calls on people's time, we have tried to make the Business Plan shorter and more focused this year. We are strong believers in transparency, customer engagement and good governance and we really value feedback so please do send us your comments on the draft Business Plan before 24 January. We have already received very useful comments from the Panel, which we are taking into account.

Foundation Programme

The Board has taken a very active interest in supporting the progress of the Foundation Programme, our multi-year programme to modernise the technical architecture of the BSC central systems, and regularly reviews its progress. The purpose of this Programme is the phased delivery of a new digital platform which will enable us to react effectively and efficiently to new settlement requirements as they emerge in the future. The platform will facilitate this by providing the flexibility, scalability and modularity required to deliver change more quickly and at lower cost. We continue to believe that this is of key strategic importance given the unprecedented levels of industry change.

In terms of the progress of the Foundation Programme, we were delighted on 11 December 2019 when ELEXON, working closely with NGESO, successfully and on time deployed the changes necessary to enable our P344 Wider Access commitments. This was a significant milestone for the Foundation Programme and delivering our technology modernisation roadmap, as the new technology platform for our Settlement Solution went live as part of this release. Following on from this, and Ofgem's decision

to grant NGESO a derogation from participating in Project TERRE (the Trans European Replacement Reserve Exchange), a major focus for us in Q1 and Q2 2020 will be the delivery of the changes necessary to enable GB participants to participate in Project TERRE by 30 June 2020.

The focus on regulatory change has been necessary and pragmatic and I can assure you that we remain committed to fully delivering ELEXON's new digital platform. Therefore, we look forward to delivering further phases of the Programme over the coming year, specifically in progressing the development of our Settlement, Customer and Insights solutions, all of which are explained in more detail in the Business Plan.

Strategy

Codes Review

You will hopefully have seen [ELEXON's Policy View on the energy industry Codes Review](#) and the study we commissioned from [Cornwall Insight](#) on the opportunities for reforming the industry codes. We continue to believe strongly that simplification and consolidation (including consolidation of codes and code administrators) are necessary to ensure that the GB energy system is more flexible and responsive. In particular, we believe this is needed to help support existing participants in reducing the amount of time required to engage with the codes, as well as facilitating a range of new business models and products, which support the delivery of net zero.

Accordingly, [we responded](#) to the joint BEIS and Ofgem consultation expressing our agreement with the principles and scope of the review. We will continue to support and contribute to the Energy Codes Review as the Government and Ofgem conclude their review and move into implementation phase.

Retail Energy Code

As Parties will be aware, ELEXON has been following the development of the Retail Energy Code and, alongside others in the industry, assisting Ofgem in the project to create the REC and its schedules. We had also expressed an interest in bidding for the role of REC Code Manager, as permitted by the BSC following the implementation of P365 in April 2018.

At the time of writing, RECCo has just commenced its procurement exercise. Over recent months we have engaged with them about their proposed structure of RECCo service provider contracts. Our key observation, based on our experience of managing subcontractors and providing our services to BSC Parties, is that the proposed structure, which would prevent a single provider from delivering an end-to-end service, is likely to lead to sub-optimal outcomes for industry. We also note that this structure would introduce fragmentation and complexity and therefore potentially additional risks and costs. We question whether this approach could be seen to conflict with the direction of travel of the Energy Codes Review.

Customer Survey Results

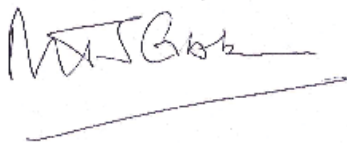
As ever, ELEXON's Board takes great interest in receiving feedback on the company's performance. Feedback from our customers gives us confidence that we are providing the services that our customers want and need or shows us where we need to do more or work differently and enables us to help them in the transition to a smarter and more flexible energy system.

Two of the mechanisms through which we seek this feedback are Ofgem's Code Administrators performance survey and our own independent customer survey. We were pleased with the results of both surveys. ELEXON came top of Ofgem's customer satisfaction survey of energy code administrators for the third consecutive year and was the only code administrator not to see a reduced satisfaction score. This, together with the improved satisfaction levels recorded in our own customer survey, is, we believe, an endorsement of ELEXON's continued drive to serve the industry.

I would like to conclude by thanking our customers and stakeholders for their feedback and by assuring you that, whilst we were very pleased with this year's survey results, we recognise that there are areas that need attention and improvement and we are working hard to address them. In particular, we will take action in how we communicate information to stakeholders and improving the service and user experience that we deliver through the BSC Service Desk and the ELEXON Portal.

I hope this letter has given you some insight into the work of the Board. If, however, you have any comments or questions then, as ever, please do not hesitate to let me know.

Yours sincerely,

A handwritten signature in blue ink, which appears to read "M Gibbons", is positioned above a horizontal blue line.

Michael Gibbons CBE FEI
Chairman
On behalf of the ELEXON Board