

August 2020

Dear BSC Party

ELEXON BOARD – CIRCULAR LETTER TO BSC PARTIES NO 7

This is the latest letter from the Elexon Board to BSC Parties and our stakeholders on our key activities as a board.

My last letter was in January 2020 and since then, like many boards, we have spent a good deal of time discussing the impact of COVID-19 on our business, and on the businesses of our stakeholders. As many of you will be aware, it was during this same period that Elexon was also impacted by a ransomware attack which, whilst not affecting core BSC or EMR systems, had, amongst other things, a major impact on our ability to communicate with stakeholders in the way we normally do.

Although Elexon has published a great deal of information on both of these topics, I will spend a little time talking about the Board's perspective on them. I will also provide some insight into our thinking on the delivery of our new digital platform (previously known as the Foundation Programme), on Elexon's governance, and on our strategy, all of which remain high on our agenda.

COVID-19

Elexon's priorities in responding to COVID-19 were the welfare of our staff, maintaining continuity of key services we provide to the market and, in co-operation with the BSC Panel and the Performance Assurance Board (PAB), to support Suppliers in managing the impact of the virus and lockdown restrictions on Suppliers' operations and the settlement process.

The Board, alongside Elexon's Executive team, have been focusing on the health, safety and wellbeing of our staff for some time but the onset of the virus created new challenges in this respect and we prioritised addressing them.

We were acutely aware that Suppliers were already facing challenging market conditions when the COVID-19 lockdown caused sudden reductions in demand and a significant drop in the volumes of electricity sold. Elexon therefore took a number of steps, on an urgent basis, to help ease both the operational and settlement burdens on Suppliers. You can access details of the substantial changes that were made on Elexon's [COVID-19](#) webpage.

The Board has a number of directors who work in the energy industry, and they provided additional insight into the importance of these measures, of which the Board was very supportive. Of course, like our colleagues in the industry, we were also keen to ensure that such measures were proportionate and took into account the need to manage the associated risks in the market, whilst having the ability to be switched on and off to cater for any further national or regional restrictions/lockdown. This was a balance that we believe has been successfully achieved.

Given that Elexon is a wholly office based organisation, the COVID-19 lockdown has had a huge impact on the way we work as an organisation. The technology deployed in Elexon enabled a fairly smooth transition to remote working, and since the early decision to close the office, taken on 15 March, we have supported various initiatives that develop and embed a greater degree of agile and flexible working within the organisation.

RANSOMWARE

Many of our stakeholders will be aware of the ransomware attack that Elexon sustained on the night of 13/14 May. The incident was a sophisticated and targeted attack that caused disruption to Elexon's day to day business, particularly as it coincided with the COVID-19 lockdown and the Elexon office was closed. It was to the great credit of the Executive team and Elexon's staff that, despite the

challenges that the lockdown presented, key tasks continued to be completed and the company's internal systems were fully recovered.

Mark Bygraves, our CEO, wrote to BSC Parties about this incident on 16 June 2020 and I refer you to that letter for more detail. For the Board's part, we were in frequent contact with Mark on certain key decisions made at that time, and strongly supported the Executive in managing the challenges. Now that Elexon has returned to normal operations, we as an organisation are committed to learning from the circumstances of the incident, and Elexon's responses to it, and consequently we will be sharing many of our experiences with our stakeholders, including the BSC Panel, so that others can benefit from them.

DELIVERING OUR NEW DIGITAL PLATFORM

Delivering our new digital platform (previously known as the Foundation Programme) has continued to be high on our agenda during this period. The delivery of P354 and TERRE in April and May respectively and that of Wider Access earlier in December, were all successfully achieved ahead of regulatory deadlines and to budget. We regard each of these as major achievements, for which the teams responsible deserve great credit, particularly in lockdown circumstances. Since then we have been discussing the approach and priorities for the delivery of Release 2 of this programme.

Release 2 will include the external launch of our customer solution (allowing participants to self-manage numerous BSC processes) and the development of the SAA on the new digital platform and the decommissioning of legacy SAA. We are also planning our approach to delivering improvements to data reporting on the BMRS.

We have been very aware of the need to balance the continued successful delivery of industry change with ensuring that we maintain momentum and progress on the re-platforming of our core systems.

We have also been considering the best way of delivering the programme. At the Board, this has led to a number of discussions about the management of risk, including our approach to appointing technology service providers, how responsibilities are allocated between suppliers in an agile and multi-vendor environment, and how Elexon can be ever more effective in the management of those suppliers.

The Board continues to be very excited by this programme and what it will deliver for Elexon's customers. It has already delivered a great deal, and it will now take us even further in the transformation of our digital capabilities.

In addition to developing our digital capabilities, we also recognise that access to open and transparent data is critical for encouraging innovation, which benefits Parties and consumers. We therefore continue to support the implementation of the recommendations of the Energy Data Taskforce, including through the progression of Modification P398 which the Panel raised, on Elexon's recommendation, to ensure that the BSC remains at the forefront of industry development and sets a precedent for others to follow.

GOVERNANCE

As ever at this time of year, I am keen to promote attendance at the Annual BSC Meeting. The meeting was unfortunately postponed this year due to the impact of the ransomware attack on Elexon but I am pleased to confirm that the meeting will be taking place virtually on 10 September 2020. The meeting is a forum through which we can engage with our stakeholders and demonstrate accountability to BSC Parties. As usual, Parties have the opportunity to ask questions of me, the Board, the BSC Panel and the Elexon Executive.

In a change from previous years, but consistent with the latest version of the Corporate Governance Code, this year we will be holding a vote for BSC Parties on the continued appointment of all of

Elexon's directors, not just those who were appointed in the last year. This change further extends and emphasises our accountability to the industry we serve.

Our engagement with, and accountability to, stakeholders is one of the keystones of our corporate governance so I strongly encourage all Parties to join in and to exercise your right to vote. Those entitled to vote will be receiving information shortly on how to do this and we are hopeful that we can make participation even simpler this year through digital attendance and voting functionality.

Once again, we have secured a key speaker for the event, with Jonathan Brearley, Ofgem's CEO, having agreed to speak and take questions.

I would encourage Parties to read the [Annual BSC Report](#) which we have recently published in advance of the Annual Meeting. It includes much useful information on how Elexon and the BSC Panel have worked together to manage the BSC proactively, and to support moves to a smarter, more flexible electricity system.

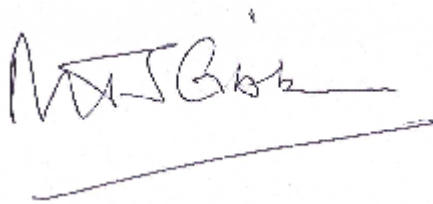
I also wanted to introduce, and welcome, some new members of Elexon's Executive team. Many of you will already know Victoria Moxham, who was appointed as our Director of BSC Operations on 1 January. In addition, given the importance of our expert and high quality colleagues to Elexon's customers and the service that they expect and receive, we welcome the appointment of Geraldine Buckland to the new role of Chief People Officer, which will support the recruitment, retention and development of our key asset, which is our people.

STRATEGY

The potential for structural change within our industry through the Codes Review, now unfortunately delayed, and possible code consolidation continued to be an area of discussion for the Board. Elexon is supportive of moves to enhance efficiencies and reduce complexities for market participants to ultimately deliver competitive benefits to consumers as set out in our previously published [Policy View](#). In our discussions, the Board is keen to ensure that potential changes will preserve the essence of the independent, high quality service culture in Elexon, the deep industry expertise in our team and the thought leadership for the benefit of industry and customers.

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 faithfully



Michael Gibbons CBE FEI

Chairman

On behalf of the Elexon Board