

ELEXON

15 March 2021

Dear BSC Party

ELEXON BOARD – CIRCULAR LETTER TO BSC PARTIES NO 8

This is the latest letter from the Elexon Board to BSC Parties and our stakeholders on our key activities as a board. In this letter I am providing you with updates on our business plan, Elexon Kinnect, Market-wide Half Hourly Settlement, the Codes Review, our customer survey and our people, purpose and culture.

BSCCo Business Plan and Budget for 2021/22

At the turn of the year we issued our draft 2021/22 Business Plan and Budget to industry for comment and we held a webinar with Q&A in January. The Business Plan sets out our priorities for the upcoming year, emphasising our continuing focus on delivering Balancing and Settlement Code (BSC) 'end-to-end' management services to our historic high standards, whilst providing value for money. You can find the [Business Plan](#) on our corporate website as well as a summary of our priorities and the products and services that we deliver for our customers.

We will continue to prioritise enabling innovation in the sector, facilitating the changes needed in the energy sector to achieve Net Zero, and making the case for consolidation and simplification of energy codes and the central market landscape.

All the responses we received, including the very supportive letter from the BSC Panel, were considered at length by the Board (and the BSC Panel) and appropriate changes have been made to address the comments. Those comments focused on our investment in our Kinnect Digitalisation programme, where we are investing strongly in our core systems and technology to enable the transformation that will be needed as our industry moves towards a Net Zero future.

Elexon Kinnect

As highlighted above, a key focus for 2021 will be the continuing programme to deliver our new digital platform, Elexon Kinnect. As explained in the business plan, this year there is an important window of opportunity to deliver the Settlement Solution. This is why, for 2021/22, we are approving an increase in the Elexon budget of £12.8m compared to last year, reflecting investment needed in the Elexon Kinnect platform.

Our rationale for approving this investment is that the existing central systems

rely on architecture that has been in place for many years. Recognising the value of central systems to our customers, we have prolonged the life of those assets for as long as possible. However, we are faced with an enormous volume of complex change, and have therefore concluded that we need to now invest in our technology platform. This will reduce the risk that the performance of existing systems will deteriorate, which could impact on Settlement accuracy and stability, and it will also enable us to adapt flexibly to meet future challenges.

Another element of the platform to which we are keen to draw to your attention is the Customer Solution, which we launched to industry in January. This is a Code first and digitalises the market entry processes, making it far easier for all our customers to manage their BSC accounts online. I would urge you to watch the video on our [website](#) explaining how this will work and the benefits it offers to BSC Parties.

Mindful of the size and value of the investment that we are making in Elexon Kinnect, we have also set up a new board committee to support, and provide oversight, for the programme. This Transformation Committee is chaired by David Titterton, one of our industry non-executive directors, with the other members of the committee being Clare Duffy and Sara Vaughan, both also industry non-executive directors. The Transformation Committee has been meeting frequently and regularly to support the programme.

Market-wide Half Hourly Settlement

Another key benefit of Elexon Kinnect is that it will facilitate future market changes, such as Market-wide Half Hourly Settlement (MHHS), which will make settlement quicker, more accurate and more efficient, while also enabling wider 'smart system' benefits.

Ofgem has recently published its consultation on how the MHHS programme is to be implemented which sets out Ofgem's plans, subject to the outcome of the consultation, for industry to be responsible for its implementation and for Elexon to have overall responsibility for managing the programme as the senior responsible owner. We believe this plan recognises Elexon's deep settlement expertise including, in this context, our experience of implementation of industry wide change.

Codes Review and Vires

Mindful that work on the Energy Codes Review is ongoing, we continue to believe that the review should lead to the consolidation and simplification of industry codes. There are a number of advantages of this, especially the prospect of better cross code coordination for strategic purposes, and you can find more detail on our views on our [corporate website \(www.elexon.co.uk\)](http://www.elexon.co.uk).

Ofgem recently published its views on an Independent System Operator and we have just published our own [thought piece](#) stating our belief there is now a real opportunity for holistic reform of the code and system operation arrangements in tandem.

We await Ofgem's decision on Modification P390 (allowing extensions to Elexon's business and activities, subject to conditions), which we expect shortly. This modification would allow Elexon to participate in, for example, other code management roles. Given that we are often seen as the leading provider of code services (as demonstrated through Ofgem's cross-code surveys and our own

independent customer survey), we believe that enhancing Elexon's ability to compete for, and take on the operation of, other code management and related roles will be beneficial for industry, including BSC Parties, and to the objective of consolidation and simplification.

People and Culture

Elexon very much depends on the expertise and knowledge of our people. Consequently, we have devoted considerable attention recently to our people strategy and our culture.

We have developed and approved a very comprehensive people strategy, the aim of which is to retain, attract and motivate colleagues who can continue to deliver to our high standards of customer service. The people strategy includes key themes such as customer centricity and developing our high performance culture which supports agile ways of working. All of this is underpinned by a focus on equality, diversity, inclusion and wellbeing.

We have also developed our corporate purpose which is now: 'Serving at the heart of the energy industry, building a path to Net Zero'. You will notice this emphasises industry interests rather than shareholder returns and the importance of enabling Net Zero through the innovations and changes we deliver via the BSC. This approach is reflected in our culture, which we have spent some time discussing throughout the organisation and the values by which our people operate.

We always take into account the impact of our actions on our customers, employees and stakeholders. This can lead to difficult decisions and one such that we faced last year was in relation to the annual pay review. In this case, we were acutely aware of the difficult circumstances in which many of our customers found and find themselves, so we decided that there would not be an annual salary increase for any of us at Elexon in 2020.

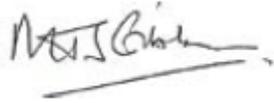
Customer Survey

Elexon's Board takes great interest in receiving feedback on the company's performance. This year there was no Ofgem cross code survey so we relied on our own survey, which we commission a third party to undertake annually. The full survey results are available on our [website](#) but, in what has been a very challenging year for the industry, we were particularly pleased to see that our customers recognised and appreciated our quick responses in supporting them at a time when they needed it most during COVID-19. Throughout the pandemic and the lockdowns, our team have continued to provide business as usual services, in spite of the challenges that they have faced with home schooling and other caring commitments.

Feedback from our customers has also helped us to identify some areas for improvement which we will be addressing this year, including continuing to raise awareness of our digitalisation programme, Elexon Kinnect, and customising our communications. We are always very grateful for this feedback and endeavour to improve wherever we can.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'M Gibbons', with a horizontal line underneath it.

Michael Gibbons CBE FEI
Chairman
On behalf of the Elexon Board