

July 2021

Dear BSC Party

ELEXON BOARD – CIRCULAR LETTER TO BSC PARTIES NO 9

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 Net Zero, MHHS Programme Implementation, Elexon Kinnect, our Vires, People and Culture, and the Annual BSC Meeting.

Net Zero

I described in my last letter how Elexon had developed a new corporate purpose: ‘Serving at the heart of the energy industry, building a path to Net Zero’. A key part of this is how Elexon, with our position at the heart of the industry, can facilitate the innovation that will be necessary to deliver Net Zero.

One example of this was the work we did in supporting our colleagues from amongst industry parties in developing [BSC Modification P375 ‘Metering behind the Boundary Point’](#). This Modification will, for the first time, allow the activity of smaller asset owners at multi-use sites behind the ‘boundary point’ to be recognised in Settlement on an individual basis, thereby ensuring that the system can operate much more efficiently.

We have also actively promoted the development of the [BSC Sandbox service](#), which we launched in July 2020. This is the first service of its kind amongst code bodies and allows us to participate in Ofgem’s innovation support services. The first applicant was approved by the BSC Panel and Ofgem in May 2021.

Elexon has also taken a lead on Open Data following the work of the Energy Data Task Force. We worked closely with the Task Force and committed to embed the principles of Open Data in the BSC. Just last month, following approval of BSC Modification P398, that principle formally went live. That gave Elexon another first, as the first code administrator to embed Open Data. It also opened the door to supporting the path to Net Zero, by making available data that will help facilitate innovative new ways of reducing carbon.

Market-wide Half Hourly Settlement (MHHS)

MHHS remains a key focus for the Board, not least because half hourly Settlement will make electricity Settlement quicker, more accurate and more efficient, while also enabling wider ‘smart system’ benefits. These wider benefits, such as electric vehicle to grid schemes and the next generation of time of use tariffs, will be critical to the sector’s ability to progress to Net Zero. In addition, Ofgem estimates that MHHS will save consumers between £1.6 billion and £4.5 billion by 2045.

We were delighted to receive Ofgem’s decision on 20 April to appoint Elexon as the Senior Responsible Owner (SRO) and Programme Manager (PM) for MHHS. This was a decision which we believe reflects confidence in our capability and expertise in delivering major industry changes. Elexon has now begun mobilising in order to deliver the programme and we are looking forward to working closely with BSC Parties and other stakeholders on this.

We regularly discuss the MHHS programme at the Board, and we set out details of how we plan to deliver it when we recently issued our proposed [MHHS Programme Budget](#) to industry for comment. We continue to work closely with Ofgem to ensure that we have appropriate measures in place to

address any potential conflicts of interest whilst seeking to ensure that we, as a Board, continue to have appropriate oversight of the Programme to satisfy ourselves and you, our stakeholders, that Elexon's delivery of the MHHS programme will be successful.

Elexon Kinnect

I have written before about our Elexon Kinnect Programme which will underpin and facilitate much of the innovation and activities I have referred to in this letter. The Kinnect Programme will deliver to Elexon a strong, scalable digital platform which will support industry innovation, allow faster delivery of change, and reduce the need for manual processes. This will ultimately mean we can support the industry to move at pace to achieve the demands for Net Zero.

This year is a very significant one for the programme because it will see the migration of our core Settlement systems to the Elexon Kinnect Settlement Solution, the first elements of our Insights Solution, and further releases of our Customer Solution.

The Customer Solution, which was launched in January 2021, enables online self-service for our customers – a code first. Many of the processes that used to take days now take minutes, for example, registering an authorised signatory, which now takes eight minutes online as opposed to several days. I'm pleased that, since January, we have onboarded over 900 customer contacts, with almost 300 using the platform on a regular basis.

In terms of the Settlement Solution, some of the anticipated key benefits will be:

- Our new scalable cloud systems will be flexible enough to expand on demand to cater for increased volumes of data or calculations.
- The modular design of our new Settlement platform means we can isolate and test elements without compromising the system as a whole – meaning we can test and implement changes much more quickly and efficiently.
- We will also be able to give better support to innovators, in turn helping Net Zero efforts, by being able to offer multiple, concurrent Sandbox trials.

We want to ensure that we deliver what our customers and stakeholders require. To that end, we have recently created a Data and Reporting User Group where people can volunteer to be involved in developing and testing the Insights Solution. Over 120 people across the industry have so far signed up and we expect around 50 to be closely involved in testing the first version of the solution later this year. This will be the first of a number of evolutions to the Insights Solution, and we will continue to ensure the voice of our customers remains front and centre of our approach.

Our Vires

In my last letter I reported that we were waiting to hear Ofgem's decision on Modification P390. We were delighted to receive Ofgem's decision to follow the recommendation of the BSC Panel and approve the Modification on 19 March. This Modification introduces a framework into the BSC that allows the Elexon Board to determine whether Elexon should undertake additional activities provided certain conditions are met. We believe that enhancing Elexon's ability to, for example, compete for, and take on the operation of, other code management and related roles, will be beneficial for industry, including BSC Parties, and the objective of consolidation and simplification.

People and Culture

I also wrote last time about our people strategy, which recognises that we depend on the expertise and knowledge of Elexon's people. Our people are a priority for the Board and Executive and we

have therefore been looking at a broad range of topics that focus on ensuring we create a positive culture that leads to productivity and meeting our business objectives.

We have been developing a new culture and set of values. An essential part of this is that, across Elexon, we are one team, in which people support, collaborate and are inclusive of one another. We also “think customer first”. This is about being trusted, responsive, and justifying our decisions by the value we bring to customers and industry.

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.

Annual BSC Meeting

As ever at this time of year, I am keen to promote attendance at the Annual BSC Meeting taking place virtually on 8 July 2021. The meeting enables us to 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. This engagement with, and accountability to, stakeholders is one of the keystones of our corporate governance, so I strongly encourage all Parties to join in.

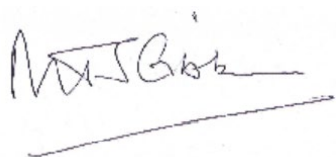
You will also have the opportunity to hear from Anne-Marie Trevelyan, Minister for Energy, Clean Growth and Climate Change, as well as Fintan Slye, Director of National Grid ESO and Dermot Nolan, Director of Fingerton and former CEO of Ofgem, who are our keynote speakers.

Elexon’s senior leadership team will give an overview of our performance over 2020/21, and talk about our priorities for the coming year.

Those entitled to vote on the reappointment of the current directors will have received information on how to do so as part of their invitation to the Annual BSC Meeting. If you have not done so, then please contact [Elexon Communications](#). I would also encourage Parties in advance of the Annual Meeting to read the [Annual BSC Report](#), which we have recently published.

As last year, we have endeavoured to make your participation with the Annual BSC Meeting as easy as possible through digital attendance and voting functionality. In addition, as normal, you can vote by proxy, the instructions for which will have been included in your invitation or are available from Elexon Communications.

Yours faithfully

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

Michael Gibbons CBE FEI

Chairman

On behalf of the Elexon Board

