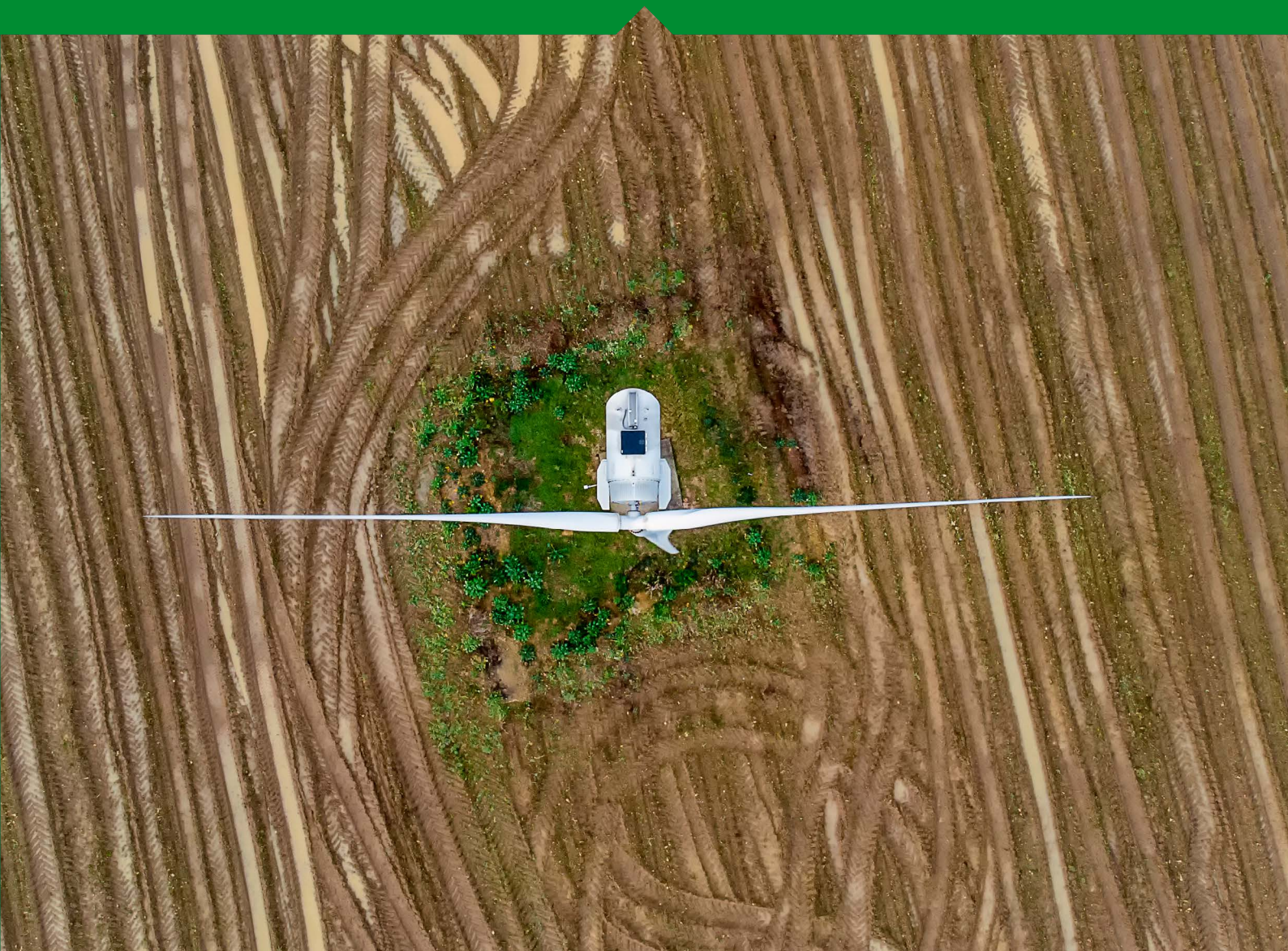


# ELEXON

## BSC ANNUAL REPORT 2020/21



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# REPORT FROM

## THE CHAIR







**Michael Gibbons CBE**  
Chair, Elexon Ltd and the BSC Panel

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### Report from the Chair

The work that Elexon, the Panel and Panel committees have undertaken over the past year continues to ensure that the Balancing and Settlement Code (BSC) meets the needs of electricity companies today, while preparing to support the needs of our customers in the future. The impact of COVID-19 has provided additional challenges to our business, but we have managed to maintain close to 'business as usual' working arrangements thanks to the great efforts of Elexon colleagues and the organisations we work with.

### Ground-breaking changes to the BSC approved

Later in this report you will find more detail on changes that have been approved by Ofgem, or are in development. There are two approved changes that I especially want to note here, due to their significance.

In March 2021 Ofgem approved [P375](#) 'Metering behind the Boundary Point' which will allow the activity of smaller asset owners to be recognised in Settlement through the use of individual 'asset meters'. Currently the activity of smaller assets behind the 'boundary point', where multi-use sites are connected to distribution networks, is not visible in Settlement. P375 will change this, as we will be able to make granular information on the capability of these assets available.

The reforms, which will be implemented in June 2022, are a further encouragement for small-scale renewables, storage and demand-side response units to participate in the Balancing Mechanism (BM) as new Virtual Lead Parties (VLP). P375 can also help Licensed Distribution System Operators (LDSOs) to manage supply and demand fluctuations on their networks more efficiently, as they could be provided with access to detailed information on how much electricity these units can produce, or use, when dispatching them.

P375 was proposed by Flexitricity, a demand-side response (DSR) provider and we worked closely with them to develop the reforms. The reforms are an evolution of the changes brought in through [P344](#) in December 2019, which opened up the BM to 'Wider Access' so that independent aggregators could trade in it. The approval was the culmination of two years' work by Elexon, Flexitricity and industry Workgroup members, who helped to shape the proposals. It is an example of how collaboration can achieve important breakthroughs, which assist progress to net zero.

One of the pillars of a smarter system is increased access to energy data. The more information that is available about how and when electricity is being produced and used, the easier it will be for companies to develop services and products which support the needs of customers, and the changing energy system.

We took another key step towards better data provision in February 2021 when Ofgem approved [P398](#) 'Increasing access to BSC Data'. Following the recommendations of the [Energy Data Task Force](#) we worked with the BSC Panel to bring forward Modification P398, which requires that all data held by Elexon is assumed to be openly available, unless the Panel decides otherwise. P398 was implemented in June 2021, and we look forward to making more BSC data available to more organisations in the coming years, with no additional charges.

#### **Supporting innovators and flexibility platforms**

Continuing support for innovation will be vital on the road to net zero. Innovators need a safe space to trial new products and services and we are very pleased that our [BSC Sandbox](#) was finally launched in July 2020 (following Ofgem's review of its own innovation support services). The Sandbox allows innovators and entrepreneurs to test concepts in a live market environment, without having to meet all the usual BSC rules. Emergent Energy became the first company to have a request to use the Sandbox [approved](#) by Ofgem, in May 2021. The trial is using proprietary technology to perform an 'on-site aggregation' calculation on private wire networks.

Alongside our work to improve access to the BM for flexible assets, we have continued to provide input to developers of flexibility platforms. In November 2020 we proposed in a [policy view](#) that nationwide flexibility platforms should be established so that DSR, spare capacity and other flexibility offers could be openly traded. We believe that flexibility platforms can unlock value in areas of the electricity system that experience constraints, and thereby avoid expensive physical reinforcements in some cases. Making flexibility offers more openly available can reduce electricity system costs for consumers and increase the amount of renewables connected to the system.

We have been supporting [TraDER, a consortium](#) which won Government funding for trialling flexibility exchanges. Over the past year TraDER has demonstrated market-based trading for generation and consumption to help Orkney, an area that has experienced network constraints for a number of years. The next steps include exploring metering and assurance considerations for market participants, drawing the project to a close and reporting findings back to BEIS.

#### **The roll-out of Elexon Kinnect, our new digital platform**

We have signalled for some time to our customers about the need to upgrade ageing BSC systems. The industry has benefitted from our approach to prolong the life of those assets for as long as possible. However, it is not wise to sweat them for any longer as they will not cope with the volume and complexity of changes facing the energy system. We have to invest in replacing them before they become unable to provide the level of service our customers need and expect.

Over the past year we have continued the roll out of 'Elexon Kinnect', a cloud platform, which will be flexible and scalable to suit the needs of our customers. In January 2021 we launched the first outward facing component of Kinnect, the Customer Solution, which is digitalising the market entry and the asset registration processes. By replacing antiquated form filling with an intuitive online portal, we are making it much simpler for new and existing companies to manage their BSC accounts. Feedback from BSC Parties has been positive so far and we continue to develop the functionality of the Customer Solution.

**“We believe that flexibility platforms can unlock value in areas of the electricity system that experience constraints. Making flexibility offers more openly available can reduce electricity system costs for consumers and increase the amount of renewables connected to the system.”**

#### **Our support for delivering major regulatory reforms**

Over the past year we finalised our work to test Settlement systems to support Project TERRE (Trans-European Replacement Reserves Exchange). We were obliged to do this even given the uncertainty of whether Britain would participate in TERRE after Brexit. The Settlement functionality we introduced in December 2019 to support TERRE was deployed with implementation of the P344 in December 2019. P344 'Wider Access' is based on the new Kinnect architecture. There is no basis in the post-Brexit UK and EU Trade and Cooperation Agreement (TCA) for GB's participation in TERRE.

However we have been working with National Grid ESO to assist with determining the next steps, as this includes National Grid ESO undertaking a cost-benefit analysis to explore whether to implement a similar GB-only Replacement Reserve product.

Continuing to support the implementation of major industry reforms remains a priority for us. The outcomes of Ofgem's Targeted Charging Review (TCR) affect the way that transmission and distribution network charges are set. These changes are being introduced in stages between 2021 and 2022. In support of this, we are overseeing the introduction of a much larger Market Domain Data (MDD) set, which underpins the operation of the Supplier Volume Allocation (SVA) arrangements and network charging.

The distribution charge aspects of Ofgem's reforms are being introduced from April 2022, resulting in the numbers of Line Loss Factor Classes (LLFCs) and valid set combinations in MDD effectively doubling to around 31,000 and 420,000 respectively.

**“The testing highlighted that changes to central systems need to be made to handle the expected increased data volumes successfully.”**

On 20 January 2021 all LDSO MDD sets went live, which included the vast majority of the changes needed to meet Ofgem's TCR requirements. Industry testing was carried out and completed at the end of February, with central system testing completed in March 2021. The testing highlighted that changes to central systems need to be made to handle the expected increased data volumes successfully. It is estimated that this work could take four months, completing in July 2021. This highlights the need to continue to work to replace central systems with Elexon Kinnect. The flexibility and scalability of our new platform would allow us to implement this sort of change more quickly in the future.

The required changes will need to be implemented and tested before the IDNO Change Requests are approved and progressed. Subject to successful testing, as agreed with the Energy Networks Association (ENA) and the Independent Distribution Network Operators (IDNOs), we will look to progress IDNO combinations in line with the ENA's migration plans. This will ensure that all migrations can take place before the April 2022 deadline.

#### **Our leadership on preparation for Market-wide Half Hourly Settlement (MHHS)**

On 19 April Ofgem announced its decision to implement MHHS by October 2025. This is landmark change for the energy system with major benefits for our customers through a faster, more accurate Settlement process. MHHS is also a fundamental enabler for progress to net zero and a smarter energy system built on the rollout of smart meters.

We were very pleased that Ofgem decided that Elexon will be the Senior Responsible Owner and Programme Manager for MHHS implementation. While this role carries great responsibility, we hope that this decision also reflects confidence in our capability and expertise in delivering major industry changes. We are looking forward to working closely with companies across the sector to design, deliver and manage the implementation plan.

Over the past year we have continued to chair and provide technical support to two industry working groups which are preparing the industry for MHHS implementation. Both groups have been further developing aspects of the MHHS Target Operating Model (TOM).

The Code Change and Development Group (CCDG) is identifying the changes needed to electricity codes to support MHHS. In December 2020 we published the CCDG's consultation on the detailed areas of the TOM design and the expected code impacts. In April 2021 we published a [high level view](#) from the CCDG on feedback to the consultation, and we are now working on the next steps.

The Architecture Working Group (AWG) has developed a reference architecture for data integration for the new MHHS services set out by the TOM. We engaged with the industry to gather feedback on this, so that a recommendation could be made to Ofgem.

### **A golden opportunity for code consolidation and reform of the System Operator (SO) role**

Last December the Government published its Energy White Paper which set out the energy policies that will steer progress to net zero. The industry had been waiting for this announcement for some time and we look forward to seeing more detail on the proposals.

We were encouraged to see that the Government plans to consult later this year on energy code governance arrangements, and review the organisational structure for the electricity SO.

Ofgem and BEIS consulted on reforming the codes in 2019, but since then progress has been limited. We believe that there is now a golden opportunity for reforming the electricity and gas SO roles and consolidating the energy codes. An example of how reforming arrangements for central services can assist progress to net zero is that it would allow for cross-cutting changes to codes to be made, which provide quicker support for innovation.

In our latest [policy view](#) published in February 2021 we have outlined options for reforms which would merge the gas and electricity SOs and create a 'market operator' – a single body to manage all energy codes. In our view, this would revolutionise the management of the energy system.

Until reforms are in place we will continue to look for ways to simplify the BSC. Over the past year we have supported development of the new Retail Energy Code (REC) by working with the Retail Energy Code Company (RECCo) and Ofgem to identify where and how certain arrangements relating to governance of industry metering should reside within the REC and BSC.

### **Responding to a cyber-attack on our internal IT systems**

Elexon experienced a cyber-attack in May 2020 which impacted our internal systems, but not those that deliver our core BSC and EMR settlement activities. From the outset we acted transparently, keeping industry (and the appropriate authorities) fully informed and have conducted a number of sessions with industry to share our experiences of dealing with such an event.

### **Maintaining support for Suppliers on managing COVID-19 impacts**

Following the announcement of the first lockdown, in March 2020, Elexon, the BSC Panel and the Panel's Performance Assurance Board (PAB) put measures in place in less than 10 days to support Suppliers. These measures included:

- Derogations allowing Suppliers to provide estimated consumptions for use in Settlement that reflect the realities of the lockdown, recognising that Suppliers could not obtain meter readings to demonstrate that businesses were closed
- Suspending Error and Failure Resolution (EFR) targets, to ensure that Suppliers' operational teams were able to prioritise other work
- Suspending the charges Suppliers would normally face if they do miss certain Settlement performance targets, in light of the extremely challenging circumstances the Suppliers were facing.

We remain committed to supporting Suppliers in managing the impact that the national lockdowns, for example on access to premises to read meters, and changing demand patterns. Only the EFR targets have resumed. The other two derogations have remained in place and are being reviewed by the PAB on a quarterly basis, or more regularly if required in response to any significant Government announcements.

Many people are affected when an energy company gets into financial distress or has to exit the market, often through the Supplier of Last Resort (SoLR) process. It impacts on consumers who either have to wait to be transferred to a new Supplier or decide to move to another Supplier.

During 2020/21 we managed five Suppliers exiting the market through SoLR arrangements. As part of this, we worked with Ofgem to ensure that more than 635,000 customers were transferred to new Suppliers without delay. The BSC mitigates the impact of Supplier failure by requiring that all Suppliers provide credit collateral. We ensure that there is a quick process for alerting stakeholders and BSC Parties of a default situation, where a Supplier has failed to pay a BSC invoice. The credit arrangements and payment terms in the BSC are stringent, and necessarily so, to ensure that BSC Parties in general are not left to pick up substantial costs when a Supplier exits the market.

### Digitalising the BSC

We continue to make the BSC more accessible and understandable for our customers. Over the past year we have been working to digitise the entire BSC and Code Subsidiary documents, approximately 9,000 pages of text in total. Through this ambitious project we have been applying learnings from financial institutions.

The digital BSC will make it easier for our customers to navigate their way around the entire suite of BSC and Code Subsidiary documents, and to understand the aspects of the BSC that apply to them. We plan to iteratively evolve the features offered by the digital BSC, in consultation with our customers, to identify and prioritise the services that will be of most benefit to them.

Features we intend to offer include the ability to perform complex searches over the entire suite of documents, and using technology to automatically update legal text for code documents so that it is in line with changes implemented to the BSC. This will save time and resources for manually drafting changes. The interactive functionality will also help Elexon colleagues to retrieve information more quickly to help customers. We expect to deliver the digitalised code in phases, offering an initial trial version by the end of the year so that some of our customers can test it.

### Celebrating 20 years of the BSC and looking to the future

27 March 2021 marked the 20th anniversary of the BSC, which was launched as part of NETA (the New Electricity Trading Arrangements). There is no doubt that codes like the BSC have served the industry well by ensuring that the commercial rules which allow companies to interact with each other are fair and provide certainty and protection to all.

Major BSC rules changes demonstrate what can be achieved when Elexon, the Panel and stakeholders work together with a common purpose. However, to deliver progress towards net zero we expect to pick up the pace on code changes and are prepared to make bold amendments to the industry rules to support innovators and the business models of tomorrow. The codes, and the arrangements for system operation may have to be radically reformed if we are to achieve that. As an interim step we have clarified that all changes to the BSC should be subject to a criterion which amongst other things will include a requirement that the change is aligned with the net zero trajectory.

Beyond its active participation in the Code Administration Code of Practice (CACoP), Elexon has made considerable efforts to build links with other Code Bodies to explore how to cooperate and collaborate. It is for Government to decide what the next steps should be and we are ready to work with them to implement reforms to the arrangements which will serve the energy system of the future.



**Michael Gibbons CBE**

Chair, Elexon Ltd and the BSC Panel



# ELEXON'S 2020/21

## BSC HEADLINE STATISTICS



2,561 Settlement  
Runs carried out

2,561

5 Supplier of Last Resort  
(SoLR) events managed

5

14 Modifications  
raised

14

17 Modifications  
implemented

17

3.24m Energy Contract  
Value Notifications (ECVNs)  
received

3.24m

342 credit defaults managed  
with 12 notified publicly

342

14 Change  
Proposals raised

14

10 Change  
Proposals  
implemented

10

4 Issues raised

4

£539m of Credit  
Cover managed

£539m



45 Modification  
Workgroups held

45

146 Circulars issued

146

Reviewed 58  
consultations and  
responded to 17

58

37 Trading Disputes upheld  
with total error corrected of  
approximately £14.9M

£14.9M

37 BSC Parties  
registered

37

12 Issue  
meetings held

12

956 new followers  
on LinkedIn

956

675 people registered  
for our webinars

675

Our videos and recorded webinars  
were watched 5,083 times

5,083

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## Elexon Board remuneration

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Section C4.4.5 of the BSC requires us to publish the remuneration and benefits payable to all of Elexon's directors in their capacity of director of Elexon. In accordance with Section C4.4.2, Elexon's Chief Executive Officer does not receive any additional remuneration in his capacity as a director of the company.

### **Anne Heal**

Non Executive Director and  
Remuneration Committee chair  
£32,800

### **Clare Duffy**

Non Executive Director  
£28,800

### **David Rigney**

Non Executive Director, Senior  
Independent Director and Chair  
of the Audit and Risk Committee  
£34,800

### **David Titterton**

Non Executive Director  
£30,800

### **Sara Vaughan**

Non Executive Director  
£28,800

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## BSC Panel remuneration

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Section B2.11.5 of the BSC states that any remuneration or benefits awarded to the Panel Chair and Chair- appointed Independent Panel members should be disclosed in the Annual BSC Report.

### **Panel Chair**

#### **Michael Gibbons**

Role: Elexon Board and BSC Panel Chair

#### **Remuneration/benefits**

- Annual fee for the combined roles: £161,851.

### **Panel Members**

#### **Dr Phil Hare**

Role: Independent Panel Member and Deputy Chair

#### **Remuneration/benefits**

- Annual fee of £25,000 (the annual fee covers 12 set Panel meetings per year as well as the preparation that goes into those meetings)
- £1,000 per additional meeting/day and £500 per half day
- £250 for each additional pre Panel briefing.

#### **Professor Derek Bunn**

Role: Independent Panel Member

#### **Remuneration/benefits**

- Annual fee of £25,000 per annum (annual fee covers 12 set Panel meetings per year as well as the preparation that goes into those meetings)
- £1,000 per additional meeting/day and £500 per half day.



# Number of meetings attended by BSC Panel members

## BSC Panel Members are appointed by:

- Election (in the case of Industry Members) or by appointment
- The Panel Chair (in the case of Independent Members)
- National Grid Electricity System Operator (National Grid ESO) in the case of the National Grid ESO Panel Member
- Distribution System Operators (in the case of the DSO Representative)
- Citizens Advice (in the case of Consumer Panel Members).

There were 22 BSC Panel meetings during 2020/21 (12 scheduled, 10 ad-hoc). At scheduled meetings, Panel Members vote on whether or not to recommend Modifications for approval by Ofgem. Ad-hoc meetings are used for discussing urgent business, for example Supplier of Last Resort issues, Supplier Default and voting on urgent Modifications. A Consumer Panel Member attended the majority of the meetings.

BSC Panel members' elections were held for members to serve from 1 October 2020 to 30 September 2022 resulting in the appointment of some new members.

Andy Colley and Rhys Kealley were elected. Lisa Waters, Tom Edwards and Mark Bellman were re-elected. Panel members Mitch Donnelly and Stuart Cotten stood down.

In July 2020, a new DSO Representative, Fungai Madzivadondo, was appointed to replace former DSO representative David Lane. A new Consumer Panel Member, Ed Rees was also appointed to replace former Consumer Panel Member Victoria Pelka.

Panel Members' attendance is shown in the table. As the new Panel term started in October 2020, not all members would have been eligible to attend the 22 meetings held. Despite the fact that ad hoc meetings are often arranged at very short notice, we have usually had most Panel members joining them.

Attendance	Scheduled meetings	Ad Hoc meetings
<b>Michael Gibbons</b> Panel Chair	12	10
<b>Phil Hare</b> Independent Panel Member	12	8
<b>Derek Bunn</b> Independent Panel Member	12	9
<b>Diane Dowdell</b> Chair-appointed Industry Panel Member	11	10
<b>Lisa Waters</b> Industry Panel Member	11	8
<b>Mark Bellman</b> Industry Panel Member	9	6
<b>Mitch Donnelly</b> Industry Panel Member	0	0
<b>Stuart Cotten</b> Industry Panel Member	5	1
<b>Tom Edwards</b> Industry Panel Member	12	8
<b>Rhys Kealley</b> Industry Panel Member	6	8
<b>Andrew Colley</b> Industry Panel Member	6	8
<b>Colin Down</b> Ofgem Representative	12	0
<b>David Lane</b> Distribution Network Operator Representative	3	0
<b>Fungai Madzivadondo</b> Distribution Network Operator Representative	9	7
<b>Stew Horne</b> Consumer Panel Member	3	3
<b>Ed Rees</b> Consumer Panel Member	10	6
<b>Jon Wisdom</b> NGESO Panel Member	12	9

# BSC CHANGE





### More Modifications implemented in 2020/21 compared with the previous year despite the impact of COVID-19

In this section of the annual report, we review our BSC change activity, including the number of changes implemented during 2020/21, compared with previous years.

We discuss significant events that impacted the progress of changes, and this is followed by a summary of changes that have been implemented and progressed.

For more detailed information, our [Change Register](#) contains a complete status list of all BSC changes that have been raised, past and present.

### Two significant events impacting BSC change

Two significant events impacted BSC Change in 2020/21, COVID-19 and the changing relationship with the European Union.

The immediate impact of COVID-19 was a sharp decline in the number of meetings we held with industry about BSC change. For example, only one meeting was held in April 2020 (during the first lockdown) as Elexon and the industry moved to remote working and adapted to the changing circumstances. This compares with a monthly average of six meetings during 2019/20. However through effective use of conferencing software the number of meetings held reverted to pre-pandemic levels from August 2020 onwards.

During 2020/21 we continued to work on the many EU-related changes that were needed while the UK's relationship with the EU was negotiated.

The UK's exit from the EU resulted in the withdrawal of [P407](#) 'Project MARI (Manually Activated Reserve Initiative)' and the ending of GB participation in [Project TERRE](#) (both of which are explained in more detail in the European Developments section of the report).

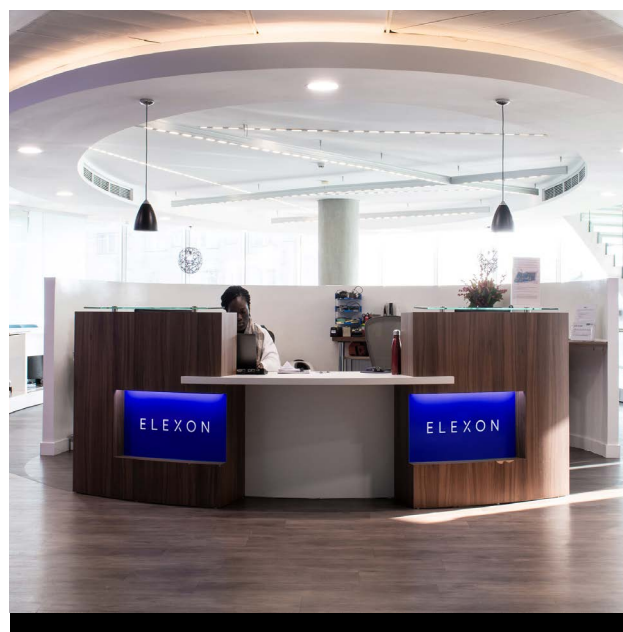
A significant amount of work had been undertaken by Elexon, National Grid ESO and the industry on developing the TERRE solution. However, some EU obligations were retained, such as the European Electricity Balancing Guideline (EB GL) change process (P392) and harmonisation imbalance settlement (P410), which we explore later in this section.

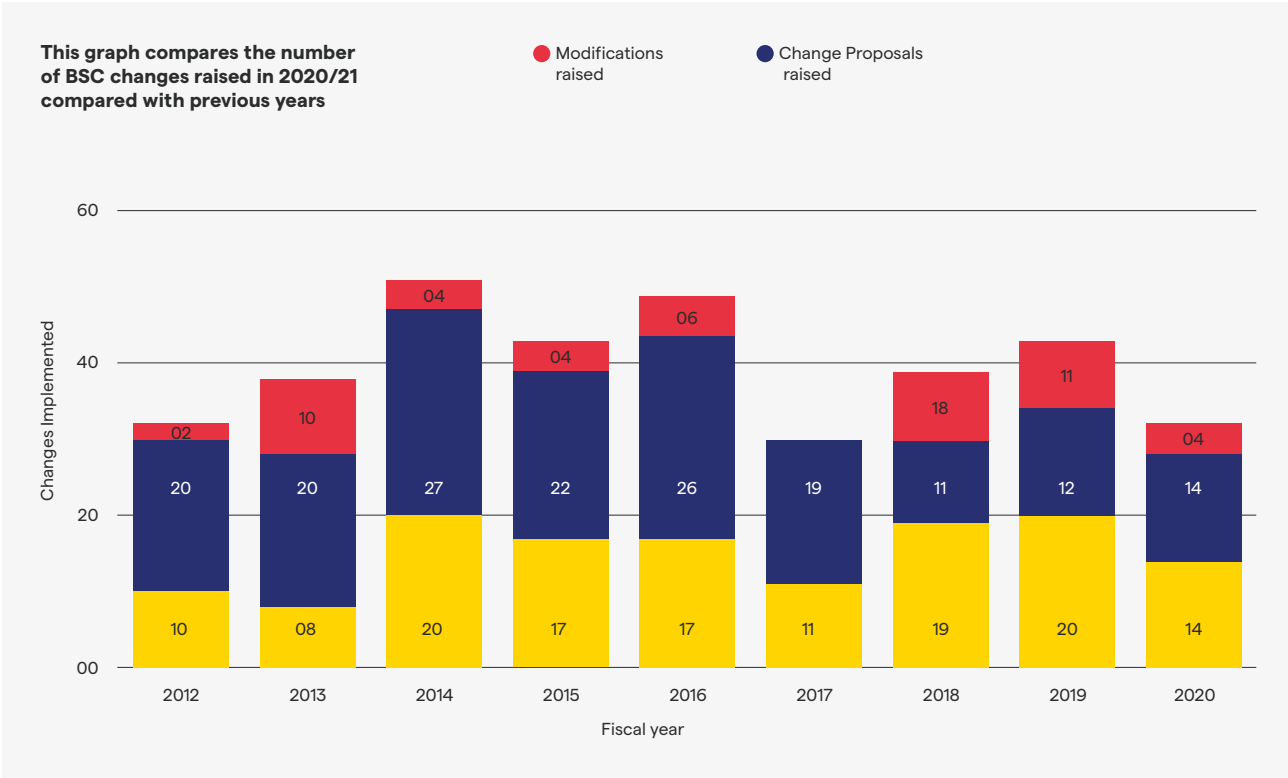
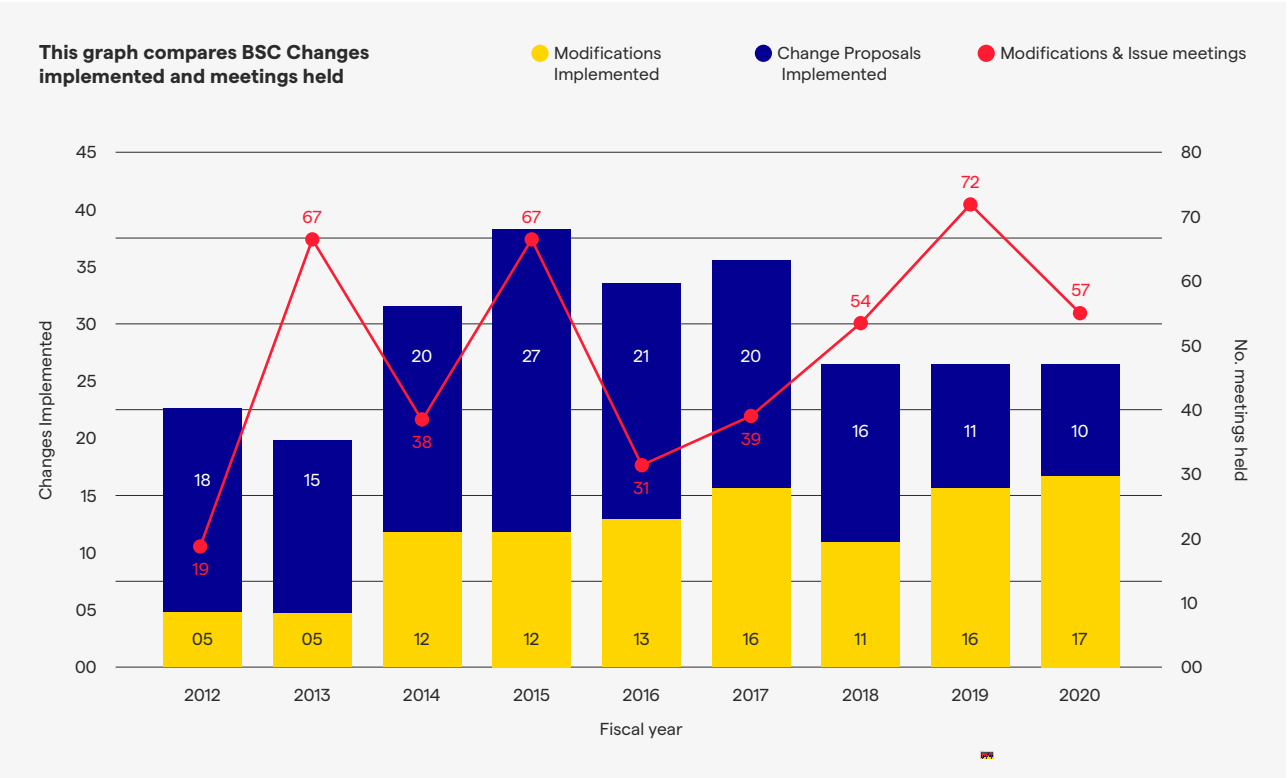
### More Modifications implemented in 2020/21 than the previous year

Modifications change the BSC itself and are typically raised by the Panel and BSC Parties. Change Proposals amend the BSC subsidiary documents and over recent years they have largely been raised by Elexon.

During 2020/21 we implemented 17 Modifications and 10 Change Proposals compared with implementation of 16 Modifications and 11 Change Proposals in 2019/20. 14 Modifications and 14 Change Proposals were raised in 2020/21, compared with 20 Modifications and 12 change proposals raised in 2019/20. Modifications and Change Proposals take time to be developed so not all of those raised during a year are implemented in the same year.

BSC Issues are raised when changes may be needed to the BSC, but where it is less clear what the issue is, or how it could be solved. Only four Issues were raised in 2020 compared with 11 in 2019. Despite this drop, the Issues that are currently being dealt with are significant, and the outcomes of some could support progress to net zero.





### **BSC Changes were prioritised to help manage the impact of COVID-19**

At the April 2020 Panel meeting, Elexon proposed that BSC Changes should be prioritised to reduce the burden on market participants in response to COVID-19. The Panel agreed to this on the basis that the impact of COVID-19 was unprecedented and has resulted in significant operational challenges and changes to the way that market participants run their businesses.

Changes were prioritised based on whether they:

- Are required to mitigate risks and issues caused by COVID-19
- Are required to be implemented by a fixed deadline, and
- Have minimal impact on market participants, unless required for the previous two points.

The decision to prioritise was kept under review by the Panel throughout the year and is due to end in June 2021, subject to the evolving situation and customer feedback.

The main impact of this approach was between May and September 2020, as change consultations were staggered.

The following changes were delayed as they did not meet the prioritisation criteria. The consultations for these proposals have been (or are being) staggered:

- [P332](#) 'Revisions to the Supplier Hub Principle' – significant impact on market participants, particularly Suppliers and their Agents (this consultation is yet to be issued, due to its impact on the REC)
- [P375](#) 'Metering behind the Boundary Point' – significant impact on Suppliers and Virtual Lead Parties
- [P376](#) 'Utilising a Baseline Methodology to set Physical Notifications' – significant impact on Suppliers and VLPs
- [P379](#) 'Multiple Suppliers through Meter Splitting' – significant impact on Suppliers and VLPs (however P379 was withdrawn in March 2021 (see opposite).

### **Moving meetings about BSC Changes online**

Workgroups continued to be well-attended and were not impacted by the prioritisation approach or the move to virtual meetings. The cyber-attack on Elexon's internal IT systems in May and June 2020 did curtail our engagement with the industry over those two months with only two BSC change meetings held across in that period.

Moving our BSC change meetings online has worked very well. There have been no reductions in attendance compared with when meetings were held in person, and feedback has been positive. Our intention is to keep hosting meetings online, as we believe that it will help industry colleagues to avoid making long journeys into our office, once it re-opens. We have received feedback from BSC Parties supporting this approach. Continuing virtual meetings also helps us contribute to progress on net zero, through a reduction in travel.

### **Withdrawal of P379**

P379 aimed to enable consumers to be supplied by multiple Suppliers through Settlement Meters at the Boundary Point. P379 had potential to encourage new business models including electricity vehicle to grid charging schemes. However, it was withdrawn by the Proposer (GridBeyond) following an independent cost-benefit analysis (CBA) commissioned by the BSC Panel. Consultants CEPA found that the costs of implementing the change were much higher than expected and would have far exceeded the benefits. The Panel systematically assesses the value for money for all BSC changes and in complex or wide ranging Modifications can choose to conduct an independent CBA. P379 was an example of where an innovative proposal did not ultimately result in a convincing economic case.

CEPA stated that some of the desired outcomes from P379 would be delivered through other BSC changes including P375, which will be implemented in June 2022. In our [statement](#) about the withdrawal we also said that there are important insights from the development process for P379, which we will compile and publish this summer.



## Reviews of industry arrangements through the Issues process

Three Issues which concern significant aspects of BSC arrangements have remained under review, two of which were raised in March 2020.

- [Issue 88](#) 'Clarification of BSC Arrangements relating to Complex Sites' (raised March 2020) is considering a number of issues and ambiguities relating to the complex site arrangements. At the time of writing, the recommendations are due to be submitted to the Panel in summer 2021. However, we expect it will result in a Modification Proposal and a Change Proposal being raised. The Modification will likely introduce different classes of complex site into the BSC to provide clarity and criteria as to what sites can be considered complex. This will support local energy arrangements and the road to net zero.
- [Issue 89](#) Ensuring Demand Control Event (DCE) procedures remain fit for purpose' was raised in March 2020 to examine the effectiveness of the Settlement Adjustment Processes (SAPs) introduced by P305 'Electricity Significant Code Review Developments' in 2015. The SAPs amend participants' imbalance positions following a DCE. The SAPs were used for the first time following the DCE which caused a major interruption to supplies on 9 August 2019. Issue 89 supplied evidence collected from a Request for Information to market participants for the P397 Modification Report. The Group also recommend a Change Proposal is raised to clarify the SAPs.
- [Issue 93](#) 'Review of the BSC metering Codes of Practice (CoPs)' (raised in January 2021) will review these CoPs, as they have not been reviewed in totality before. This significant undertaking will examine nine specific issues, put forward by the Proposer and three issues put forward by Elexon. These include whether to simplify the CoPs by merging them, and any other matters the group identify. The REC Significant Code Review is moving the Meter Operator Agent activities from the BSC to the REC. Ofgem has acknowledged that it is important for the Issue 93 review to conclude, and it expects some of the CoPs to move to the REC following the review.

## Implemented Changes

2020/21 has seen a number of changes implemented, which can broadly be categorised as improving transparency, supporting progress to net zero, or assisting with delivering regulatory objectives.

### Transparency

- [P371](#) 'Levelling the playing field - Inclusion of Spin-Gen, Non-BM Fast Reserve and Non-Tendered Fast Reserve actions into the calculation of the Imbalance Price and extension of the cash-out price arrangements to Fast Reserve' was implemented on 25 June 2020. The exclusion of Spin-Gen, Non-BM Fast Reserve and non-tendered Fast Reserve meant that the cash-out prices did not reflect the costs of these energy actions, as these actions were not being included in the Balancing Service Adjustment Data (BSAD). This meant that different balancing services were being unfairly treated. By including these in the calculation of the Imbalance Price it will better facilitate the fair and harmonised treatment of all services and provide greater transparency.
- [P408](#) 'Simplifying the Output Usable Data Process as a consequence of GC0130' was implemented on 18 March 2021. P408 was raised as a consequential BSC Modification related to Grid Code Modification GC0130. The two Modifications together aim to improve market transparency and efficiency through provision of additional Output Usable, Margin and Surplus data in the two to three year ahead timescale. The provision of Output Usable (forecast total operational generation capacity), together with Margin (excess of forecast generation capacity above forecast demand), and Surplus (excess of forecast generation capacity above the sum of forecast demand and ESO reserve requirements) helps market participants in optimisation of their market position. The data also helps Parties with physical assets to plan maintenance outages for times when there is plenty of excess generation available. These changes improve efficiency by removing the need for most Generators to enter outage data into two separate systems – Elexon's Regulation on wholesale Energy Market Integrity and Transparency (REMIT) Inside Information Platform (IIP) platform and National Grid's [TOGA](#) (Transmission Outages, Generation Availability) platform. Further, the provision of additional data for two and three years ahead, and the increased frequency of updating the data improves market transparency and efficiency.

### Supporting progress towards net zero

- As mentioned in the Chair's report earlier, P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point' was approved by Ofgem on 24 February 2021 with an implementation date of 30 June 2022. P375 is a ground-breaking change which will help the activity of smaller assets owners to be visible in Settlement.

### Regulatory

- P392 'Amending the BSC change process to incorporate the delegation of National Grid ESO's powers and obligations under the EB GL to change EB GL Article 18 terms and conditions' was implemented in the BSC on 25 June 2020. P392 ensures process and responsibilities for amending BSC provisions constituting EB GL Article 18 terms and conditions reflect delegations made by National Grid ESO in favour of Elexon and BSC Panel. This will allow for a unified market change process. Where Modification Proposals impact Article 18, they are now required to follow the 'EB GL change process' which adds a minimum of one month to their progression.
- Given the approval of [P396](#) by Ofgem in March 2020, from 1 December all BSC Trading Parties that are not Interconnectors have had to pay the BSC Funding Share costs that were previously attributed to Interconnectors. The BSC Panel recommended that Ofgem reject P396, as it believed that the change would put GB generators at a disadvantage compared with their European counterparts. However Ofgem decided that BSC costs can be considered as network access costs and should no longer be charged to Interconnectors. Ofgem stated that this treatment is in line with European regulations (the Electricity Regulation and Commission Regulation (EU) No 838/2010).

### Approval of P390 allows Elexon to take on additional work where there are benefits to Parties

- [P390](#) – 'Allowing extensions to Elexon's business and activities, subject to additional conditions' was approved by Ofgem for implementation on 26 March 2021. This change will speed up the process for Elexon to take on additional work where there would primarily be benefits to BSC Parties. In the past, specific Modifications had to be raised allowing Elexon to undertake additional work, which is time consuming and adds extra burden onto the industry participants who engage with the Modifications process. P390 allows Elexon's Board to identify additional activities that Elexon can undertake provided certain conditions are met, and are given the consent of Ofgem. The Board would need to consult BSC Parties before Ofgem takes a decision.



**BSC changes raised or progressed in 2020/21**

Over the past year two Modifications were progressed to assist progress towards net zero.

- **P376** 'Utilising a Baseline Methodology to set Physical Notifications for Settlement of Applicable Balancing Services' was recommended by the Panel in March 2021. P376 is currently with Ofgem for decision. It proposes to allow the VLP of the Secondary BM Unit, or Supplier for an Additional BM Unit, to use a baselining methodology to determine the expected energy flows for a Metering System Identifier (MSID) Pair in the calculation of Non-Delivery Charges and Delivered Volumes. This change will allow Balancing Service Providers to be fully recompensed for their actual change from normal usage and the impact this change has on the system. This will enable greater participation in balancing services by smaller asset providers.
- **P415** 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties' was raised by Enel X UK Ltd (a VLP) in September 2020. The proposal would amend BSC systems and processes, to allow consumers who can offer DSR to trade it in the wholesale electricity market through a VLP, rather than through their Supplier. P415 would adopt methodologies that are being developed through P376. This is a significant proposed change to the market arrangements and a cost-benefit analysis will be conducted.

**“The proposal would amend BSC systems and processes, to allow consumers, who can offer DSR, to trade it in the wholesale electricity market through a VLP, rather than through their Supplier.”**

A further three changes are directed at improving transparency, or meeting regulatory requirements:

- **P399** 'Making the identity of Balancing Service providers visible in the Balancing Services Adjustment Data' was raised in December 2019. It has been approved by Ofgem for implementation in November 2021. BSAD does not currently identify the parties that provide Balancing Services Adjustment Actions to the National Electricity Transmission System Operator (NETSO). This leaves Parties that bilaterally trade with the NETSO outside the BM anonymous (giving these Parties competitive advantage and so limiting effective competition). Further, trades conducted within the BM are not anonymous therefore there is inconsistency between BM and non-BM trades.
- **P410** 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations' was raised by National Grid ESO to comply with EB GL. It is likely that this proposal will be withdrawn, for reasons that are explained in the European Developments section.
- **P412** 'Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy' was raised by National Grid ESO to more effectively meet the European Clean Energy Package (CER). This initiative is still being supported post-Brexit. It seeks to introduce imbalance charges for non-BM Balancing Services providers, where their delivery does not match instructed volumes. This change is necessary as the CER requires that all market participants are responsible for the imbalances they cause on the system, and that imbalances are settled at a price reflecting the real time value of energy. The imbalance calculation needs to change to ensure that we can apply the imbalance price to the difference between the non-BM balancing services instructed volumes and delivered volumes.



# EUROPEAN DEVELOPMENTS





# Brexit and our relationship with Europe

**The UK left the European Union on 31 January 2020. The majority of last year was spent in the Implementation Period (IP), which ended on 31 December 2020. The UK and European Union (EU) agreed a TCA just before the end of the IP. Since 1 January 2021 the UK and EU have been working on formalising relationships designated in the TCA.**

There is very little reference to Balancing in the TCA, other than an agreement to work together and that the Balancing market should be 'organised'. This means that there is still uncertainty regarding whether Balancing markets will align, and if so, how. Of particular note though is that GB's involvement in Project TERRE and Project MARI ended with the IP, although ENTSO-E considers GB's participation in both to be 'on hold'.

The main focus of BEIS and Ofgem since 1 January 2021, supported by National Grid ESO, was to establish new cross-border trading arrangements, specifically Multi-Region Loose Volume Coupling for day-ahead trading. A CBA for the options for implementation was published at the end of April 2021. At the time of publishing this report the new arrangements are not expected to require any change to the BSC.

The European Union (Withdrawal) Act (and subsequent amendments and implementation orders) caused all EU legislation to become UK law other than where the Secretary of State has laid Statutory Instruments (SIs,) which removed legislation from UK law e.g. the Capacity Allocation and Congestion Management (CACM) regulations.

Such SIs could only make changes to enable the relevant EU legislation to work in UK law, and were not able to amend policy or associated intent. These SIs were then modified by additional SIs that came into force at the end of the IP. The SIs (and the SIs amending the SIs) designated certain passages in legislation that would either:

- no longer be relevant after the IP ended (e.g. Articles 19 and 21 of the [Electricity Balancing Guideline \(EBGL\)](#) or
- need to be amended to reference the correct bodies e.g. The Agency for the Co-operation of Energy Regulators (ACER) was changed to Ofgem.

None of the SIs that were laid by BEIS for electricity have amended how the BSC works. Therefore the decision was taken to wait and see whether there would be further announcements about our relationship with the Internal Energy Market (IEM) after the TCA came into force.

There were no further changes, and as such, the Modification to make tidying-up changes e.g. changing references from ACER to Ofgem in the BSC (akin to P382 in case of a no-deal Brexit) will be raised shortly – the timing has been determined by prioritisations amongst other Modifications.

Where we refer to EU legislation over the following pages of the report, that piece of legislation has been subsumed into UK law, but is still referred to by its EU name.



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# European Electricity Balancing Guideline (EB GL)

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**EB GL (Commission Regulation (EU) 2017/2195) is EU legislation which aims to create a market where countries can share the resources used by their transmission system operators to match generation and demand. In this section we report on work that was done to meet EB GL objectives.**

## **Projects TERRE and MARI (EB GL Articles 19, 20 & 30)**

LIBRA – the platform used for the exchange of Replacement Reserve bids – went live in January 2020. However, GB’s participation in Project TERRE was delayed.

Being on the periphery of the Internal Energy Market (IEM), GB is reliant on a neighbouring Transmission System Operator (TSO) for participating in TERRE i.e a TSO with which there is an Interconnector link.

Of the three interconnectors linked within the IEM in 2020 (Belgium, France or the Netherlands), only French transmission system owner (RTÉ) which part-owns the IFA interconnector to Britain is a TERRE participant. This means that GB cannot participate in TERRE until France does. As France delayed its participation, so too did GB. However, the delays notwithstanding, preparation to go-live continued, and were adapted to the changed go-live dates.

Elxon deployed the technical changes necessary to enable GB industry parties to join the central TERRE platform and trade in the European electricity market in May 2020. This was followed by us supporting National Grid ESO and participants in joint ‘end to end’ (E2E) testing completed successfully in September and October 2020. All key components were tested, from submitting replacement reserve bids through to Settlement.

In May National Grid proposed Modification [P407](#) ‘[Project MARI](#)’ to make changes to the BSC necessary to implement MARI. MARI aims to set up a European platform for the exchange of balancing energy from frequency restoration reserves with manual activation. P407 was raised alongside Grid Code Modification [GC0145](#) ‘[Updating the Grid Code to include the Manually Activated Reserve Initiative \(MARI\)](#)’. Elxon and National Grid ESO established a single Workgroup to deliver both Modifications, having worked together on MARI for around a year to lay the ground work before raising the Modifications. We arrived at a technical solution for P407 and had the first drafts of proposed legal text changes to enable the solution.

When the TCA was published in December 2020 it confirmed what we had suspected, that GB participants would not be able to participate in the IEM’s balancing platforms. With this in mind, P407 was formally withdrawn by National Grid ESO on 10 February 2021.

Should we be required to participate in TERRE and/or MARI as part of or connected to, the IEM at a later time, we are in a position where we could resume our work without too much effort.



# European Electricity Balancing Guideline (EB GL)

(Continued)

## Harmonisation of imbalance Settlement (EB GL Article 52)

**EB GL Article 52( 2 ) requires that TSOs establish a methodology for harmonising the determination and application of an imbalance price in an Imbalance Settlement Harmonisation Proposal (ISHP).**

ACER approved [the methodology](#) on 15 July 2020, and ahead of this it was identified by Elexon, working with National Grid ESO, that there was a need for BSC changes. [P410 'Changing imbalance price calculations to comply with the Imbalance Settlement Harmonisation regulations'](#) was raised in July 2020.

The P410 workgroup met several times in 2020, but since leaving the IEM on 1 January 2021, and following discussions with Ofgem and BEIS regarding interpretation of the TCA, NGESO has established that they can, and intend to, submit a new Imbalance Settlement Harmonisation Proposal (ISHP) for approval by Ofgem, as the sole relevant approval authority. P410 is on hold pending the Authority's discussion and will be withdrawn if the Authority approves National Grid ESO's revised submission.



# Clean Energy Package of European energy legislation

**The final parts of the 'Clean Energy Package' of European legislation came into force in July 2019.**

The two parts with most significance for the BSC were the new Electricity Regulation, which (for the most part) took effect from 2020; and the Electricity Directive, which had to be implemented (for the most part) by 31 December 2020. The Electricity Directive was subject to the end of the Brexit IP. Even though there was no requirement to implement it, BEIS did so with licence changes where necessary (although a lot of the Directive has already been implemented in the GB market)

- **15-minute settlement (Electricity Regulation, Article 8 (2))**

The new Electricity Regulation (EU Regulation 2019/943) required that the imbalance Settlement period shall be 15 minutes by 1 January 2021. However, the Regulation makes it possible for national regulatory authorities to grant exemptions or derogations. On 20 May 2020 Ofgem determined that GB granted an exemption to this, but only for three years and with the caveat that any changes to Codes in that three year period should, where practicable, allow for 15 and 30 minute Settlement.

- **Clearing price for balancing energy (Electricity Regulation, Article 6)**

The new Electricity Regulation requires that the Settlement of balancing energy shall be based on marginal pricing (pay-as-cleared), unless regulatory authorities approve an alternative pricing method.

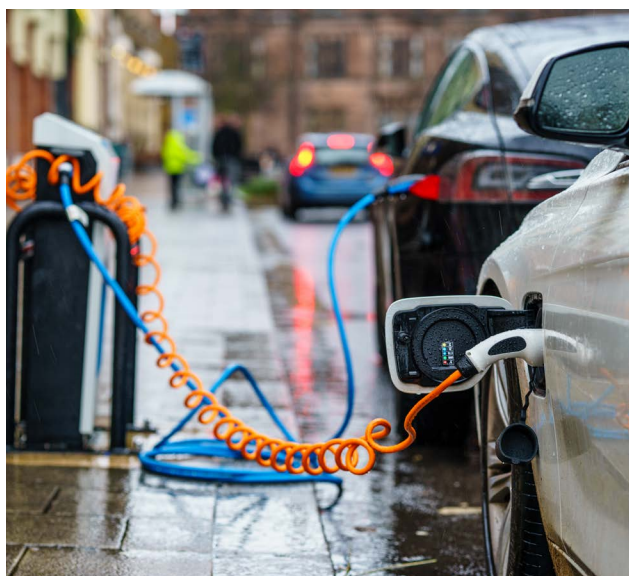
National Grid ESO announced, at the February 2020 Joint European Standing Group (JESG) meeting, that it was seeking a derogation from Ofgem, from this requirement. This is to avoid having to settle BM (and their own bilateral 'balancing services') balancing energy at a clearing price (moving away from the current pay-as-bid mechanism). The derogation was granted on in December 2020 for Short Term Operating Reserve (STOR) and the BM, and discussions are still ongoing as to how Article 6 may affect other products.

- **Balancing Responsible Party (Electricity Regulation, Article 5)**

The new Electricity Regulation requires that any party causing an imbalance shall be responsible for that imbalance, or have contractual arrangements in place for someone else to take responsibility for that imbalance. For GB it means that non-BM Parties will now need to somehow be held responsible for any imbalance they cause, whereas previously, the responsibility for the imbalance rested with the associated Supplier's BM Units.

To address this National Grid ESO raised P412 '[Ensuring non-BM Balancing Services providers pay for non-delivery imbalances at a price that reflects the real-time value of energy](#)' in September 2020. The Workgroup is considering how to best address the issue and at the time of writing are awaiting analysis from National Grid ESO.

**"The new Electricity Regulation requires that the Settlement of balancing energy shall be based on marginal pricing (pay-as-cleared), unless regulatory authorities approve an alternative pricing method."**



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# European Regulation on Energy Market Integrity and Transparency (REMIT)

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**The Balancing Mechanism Reporting System (BMRS) website continues to host GB electricity REMIT inside information and is a designated IIP.**

In December 2019, ACER confirmed that it was establishing a registration procedure for REMIT IIPs, to be classed in future as Registered Information Services (RIS). This will also allow ACER to assess IIP compliance with the requirements for platform web feeds.

ACER asked Elexon (as the operator of the REMIT IIP) and all other operators of European IIPs, to be re-assessed as a RIS, as use of IIPs will become mandatory from July 2020. We achieved the first of two levels of accreditation before the end of the Brexit IP.

Since the IP ended on 31 December 2020, Ofgem has designated BMRS as the IIP for GB electricity. Our understanding is that Ofgem does not have any intent to review this arrangement in the short term. Since the end of the IP, data has no longer gone from BMRS to ACER or the European Network of Transmission System Operators ENTSO-E. However, we are able to resume this at relatively short notice, should the need change at some point in the future.

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## Looking forward

The current European Commission was formed early last year and President von der Leyen made the EU Green Deal one of the Commission's biggest priorities. We are now starting to see this come into effect and various initiatives are starting to gain momentum. Things of note that may impact GB, and therefore Elexon depending on how post-TCA relationships evolve, include (in no particular order):

- CACM 2.0 guidelines for network capacity use are being drafted and stakeholders are being engaged by the EU Commission – the first proposals have been published and Elexon is reviewing them. Anything of note will subsequently be reported
- A new Network Code on Cyber security will be drafted shortly, however it is dependent on forming the new DSO body equivalent to ENTSO-E. Therefore the draft Network Code is not expected until Autumn 2021 at the earliest

- Discussions are on-going regarding a North Sea Grid and we are already engaging on this domestically in GB
- Consultation on European Single Access Point (ESAP) – this equates roughly to 'Open Data' principles (e.g through P398)
- Continued lobbying for linking the UK and EU Emissions Trading Scheme (ETS). Numerous pan-European trade bodies have recently written to the UK Prime Minister to express that in their view it is obvious that the UK ETS and EU ETS should be aligned
- Development of an EU carbon border – this will introduce levies for any carbon imported into the EU, as well as additional levies for companies moving outside of the EU to avoid carbon targets (but still trading in the EU)
- New Climate law discussions – this will write into legislation goals set-out in the EU Green Deal to become carbon-neutral by 2050
- New Renewable Electricity Directive (RED III) in development – this will set out the rules for the EU to achieve its renewable targets by 2030
- Review of Trans-European Energy Networks (TEN-E) – ensuring infrastructure is fit for evolving markets and technology
- Power-to-gas – how electricity needs to be managed, and the associated regulatory changes, so that electrolysis of hydrogen can occur efficiently and without undue impact on the electricity system – this is still at the discussion stage and proposals are yet to be made.

These items are all in different stages of progression and we will continue to monitor them. In a post-TCA world, there is no immediate impact on GB or Settlement.

However, the topics are very much what we are starting to see discussed in GB and we will expect them to gain far more traction as the Government starts to implement the Energy White Paper and the Prime Minister's Ten Point Plan. As such, we will continue to monitor EU progression for comparison, when we engage on GB policy changes, as well as to ensure that we are informed as the post-TCA relationship evolves.



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# Engagement

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We have continued our membership of both the Association of European of Energy Exchanges (Europex) and Energy UK. We sit on the pan-European Electricity Balancing Stakeholder Group as a Europex representative alongside other European stakeholders. We also sit on Energy UK's TCA group and the UK TCA Open Forum (a stakeholder group formed by Energy UK and the European Federation of Energy Traders) to provide informal feedback to BEIS on behalf of Elexon.

Through these groups we are able to contribute to the latest discussions and changes across Europe to help inform our own policy and engagement strategies as mentioned above. In addition, we are also members of the Association of Power Exchanges (APEx) – a global group for the communication of ideas and practices, and have attended two of their virtual forums in the last year.

**“Through these groups we are able to contribute to the latest discussions and changes across Europe to help inform our own policy and engagement strategies as mentioned above.”**





# WORKING FOR CUSTOMERS





# Customer operations

**An important aspect of our work centres on offering high quality support to companies that are entering, operating in, or exiting the electricity market.**

We tailor our services to meet the needs of our customers and we offer our expertise and guidance on a range of issues, as well as training on aspects of the BSC.

We produce a range of reports and [insights](#) providing analysis of the wholesale market.

**Our regular reports include:**

- System Price Analysis Report
- Trading Operations Report
- The Smart Meter Technical Detail Report.

The links to these reports are published in Newscast, our weekly newsletter. The online sign up form to receive Newscast is available on [our website](#).

**During 2020/21 we:**

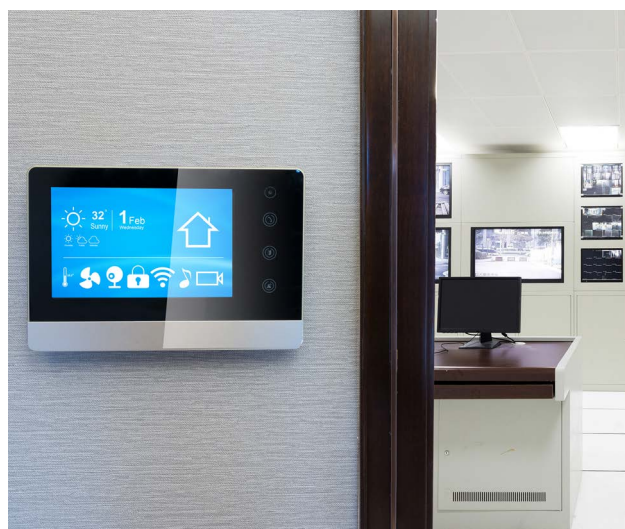
- Held 51 meetings with potential new entrants giving them the opportunity to understand the BSC and how it works, before they consider whether to accede to it
- Helped 53 customers accede to the BSC (formally signing the contract to participate)
- Completed 37 Registrations where companies underwent the market entry process and are registered in a role (for example, as a Supplier or a Generator). This includes five new VLPs (Enel X UK Limited, Centrica Business Solutions UK Optimisation Limited, Erova Energy Limited, Gazprom Marketing & Trading) and Habitat Energy Limited
- Ensured that 13 Parties left the market smoothly (not including the five companies that exited through SoLR)
- Managed 32 qualification applications and 12 re-Qualifications.

While we did not carry out any face-to-face meetings with customers, mostly due to the pandemic, we did carry out 1,088 teleconferences with customers, compared with 859 in 2019/20.

The teleconferences were led by our [Operational Support Managers](#) (OSMs). The OSMs offer comprehensive ongoing support to BSC Parties. We assign an OSM to each SVA BSC Party so that they receive a dedicated service. We are investing further in training for our OSMs and encouraging them to gain a greater understanding of the needs of our customers.

During 2020/21 we conducted seven training sessions for customers covering a variety of topics such as:

- Imbalance Pricing
- MDD
- Large Estimates of Annual Consumption / Annualised advance Technical Assurance of Metering.





## Improving our digital products

We continually look to improve the BSC websites ([www.Elexon.co.uk](http://www.Elexon.co.uk), the [BMRS](#), the [Portal](#), and the [Technical Assurance Agent Management Tool](#)) so that they provide our customers, and other interested Parties with a greater insight into the code and our work.

Over the past year we have continued to develop the BSC services by drawing together all of the BSC websites so that there is greater consistency of design, functionality and purpose.

This has included embedding a glossary fly-out (which provides definitions of terms on screen) and options for users to provide feedback on webpages. This functionality will be made available on each site, in turn. 150 commonly used BSC terms now have fly out definitions on screen on [www.elexon.co.uk](http://www.elexon.co.uk). We have a [dedicated web page](#) that lists all of the enhancements we have made.

As part of our commitment to openly accessible data, in March 2020 we launched the open Settlement data web page. This makes it easier for companies that are not BSC Parties to access Settlement data. On this page, nine electricity Settlement datasets are available from the SAA I014 and Central Data Collection Agent (CDCA) data flows. Previously this data could only be accessed by BSC Parties or companies that had signed up to (and paid for) a Modification [P114 data licence](#). Data on this page is updated daily and is freely available to anyone, under our [open data licence](#).

## Customer survey shows appreciation of our support during COVID-19

To measure how we are performing on customer service we commission an annual survey by an independent company where we ask our customers to rate our performance.

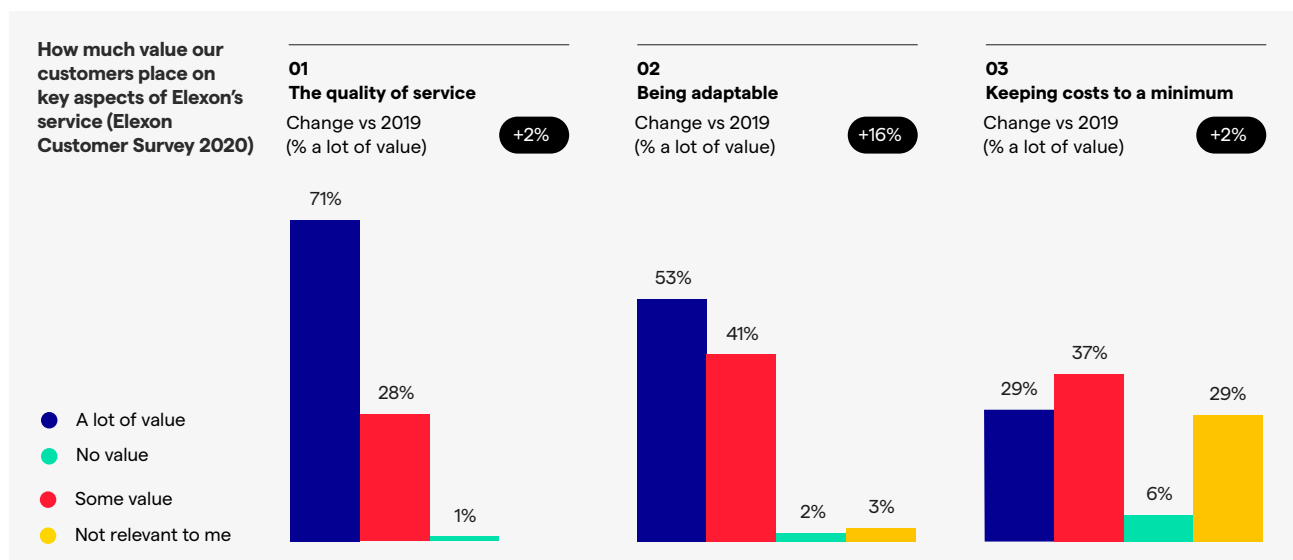
Although the [2020 survey](#) shows that overall satisfaction with our service in 2020 dipped slightly (with 66% of respondents scoring 8 or more out of 10) from a three year high in 2019 of 71%, our average service ratings remain consistently high.

Of the customers who responded to our survey, 70% of them would speak highly of Elexon, with 88% of them saying our service had improved or stayed the same.

The graphs below show our performance against some of the key indicators in the 2020 Elexon customer survey. The survey also highlights that the support we have provided our customers during the pandemic was appreciated. 94% of customers who have used our OSM service stated that our OSMs are either meeting their expectations or exceeding them.

Each year Ofgem has a survey carried out to assess the performance of code administrators. The survey was postponed in 2020 due to COVID-19. Elexon came top of the 2019 survey for the third year in a row, with 86% of respondents saying they are satisfied with our performance.

These graphs below show our performance against some of the key indicators in the 2020 Elexon customer survey.



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## Electricity Market Reform Settlement Services

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As well as managing the BSC, Elexon is the Settlement Services Provider to the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company (ESC). These activities are ring fenced from BSC activities and are conducted via a separate subsidiary of Elexon, EMR Settlement Ltd (EMRS).

EMRS delivers Settlement services for both the Capacity Market and the Contract for Difference (CfD) schemes. The costs of running EMRS are borne by LCCC and ESC and not by BSC Parties. However, because EMRS occupies the same premises as Elexon, EMRS makes a fair contribution to these costs based on headcount. This resulted in LCCC making a contribution of £904k to the shared fixed costs in 2020/21, which would otherwise have been borne by BSC Parties.

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## Elexon Kinnect

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The technical architecture of the BSC Central Systems is now 20 years old. It has served the industry well, however the systems must be upgraded so that we continue to deliver the services that existing and future customers will need, in a rapidly changing market.

Complex, and fundamental rule changes will need to be made to the BSC in the coming years, and the legacy systems. Currently, even routine changes to the BSC can take around a year to implement, with at least a third of that time spent carrying out testing and regression testing of the solution.

Since 2017 we have been developing a new digital platform to replace the central systems in stages. Elexon Kinnect is a cloud platform which will be flexible and scalable to suit the needs of our customers. The modular technology it uses will enable us to implement BSC rule changes more quickly, and provide transformative support for innovation by existing companies and new entrants.



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# Elexon Kinnect

(Continued)



## Customer Solution is now live

In January 2021 we launched the [Customer Solution](#) which is the first outward facing component of Kinnect. The Customer Solution is an online portal with a digitalised market entry process for acceding to the BSC – the first of its kind for any energy code. It also allows existing companies to manage their BSC account online. Altogether it has digitalised forms from 11 Balancing and Settlement Code Procedures (BSCPs), which handle the market entry and the asset registration processes for participants. Digitalising the BSC with Kinnect will save time and resources for our customers and also for Elexon.

So far the feedback from Parties on the Customer Solution has been very positive. We have on-boarded 890 customers and 259 are regularly using the service. We have completed 16 accessions to the BSC since January 2021 using the Customer Solution. We have also replaced a time consuming paper form process for setting up Authorised Signatories with a simple, online process which takes approximately eight minutes.

We have been developing improvements and extra functionality since the launch. If you want to find out more about the Customer Solution please watch the video on our [Kinnect webpage](#).

**“So far the feedback from Parties on the Customer Solution has been very positive. We have on-boarded 890 customers and 259 are regularly using the service. We have completed 16 accessions to the BSC since January 2021 using the Customer Solution.”**



## Preparing for migration of Settlement calculations to Kinnect

Settlement calculations are at the core of Elexon’s role and we have been preparing for the migration of the calculations arrangements to Kinnect over the past few years. The Settlement functionality we introduced in December 2019 to support [P344 ‘Wider Access’](#) was delivered on the new Kinnect architecture.

As mentioned in the Chair’s report, although Britain cannot participate in Project TERRE following the Brexit TCA, we have been working with National Grid ESO to assist with determining the next steps. This includes them undertaking a CBA to explore whether to implement a GB-only Replacement Reserve product. The Settlement functionality can be used to support a GB-only product if needed.

We used the Kinnect platform to implement the changes needed for [P383](#) ‘Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281’ for storage calculations in April 2021.

The [solution](#) introduced reporting of storage facilities metered data and enables the BSC Panel and Elexon to perform assurance activities in relation to the aggregation of this data. The Settlement solution aggregates the imported metered data to Supplier BMU level, and reports the imports to the NETSO for use in the calculation of network charges.

During early 2021 we began to migrate the Settlement Administration Agent (SAA) to Kinnect. The SAA performs the daily Settlement Runs. We have now successfully built elements of SAA for the new Kinnect platform. We will continue to build the remainder throughout 2021 before entering into an extensive testing period and parallel run (or maximum assurance).



# Elexon Kinnect

(Continued)



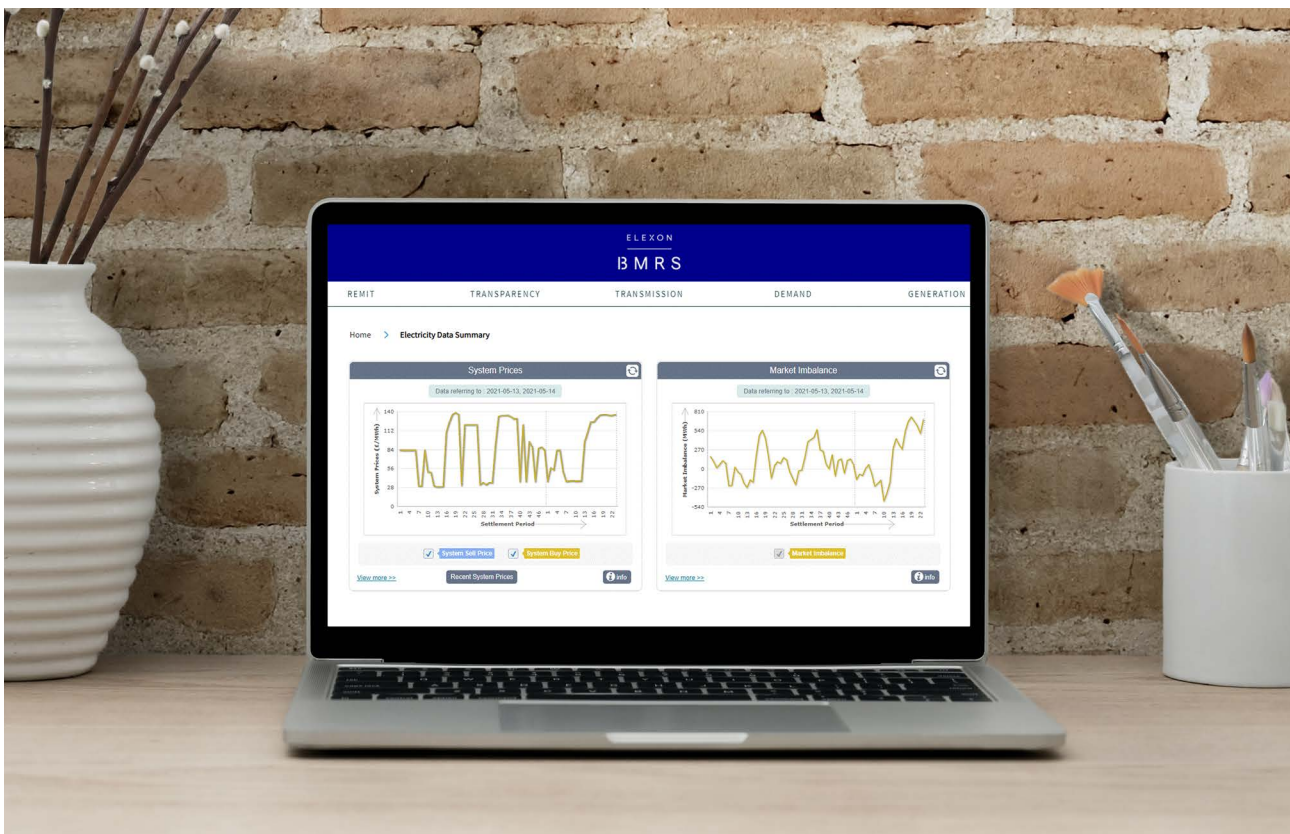
## Analysis and Insight – building a new solution

A growing part of our role is to provide clear transparent, accessible energy data on the wholesale market through BMRS, which is the industry's 'go to' source for statistics on demand, generation, System Prices and other indicators.

We know from the high scores in our annual customer satisfaction survey that industry values and needs access to BMRS data and we want to ensure this service will meet the rapidly growing requirements of our customers in the future.

It has become increasingly difficult to make changes to the existing BMRS software platform at the pace we need, and to support the needs of our customers for new data or functionality. Therefore, the third pillar of Kinnect is to develop a new data and insights capability, to deliver BMRS data. The Insights Solution will make use of the enhanced data produced by the Settlement Solution.

We have been working on our overall Analysis and Insight strategy and vision, which includes the development of the Insights Solution on Kinnect. As well as working on requirements and agreeing contracts throughout 2020/21, we have developed a user group strategy to make sure the voice of our customers is included right from the initial development, which is due to begin in late summer 2021.



# 2020/21 BSC Audit

**To protect the interests of all BSC Parties and consumers, an external audit of BSC processes is carried out annually.**

The BSC Audit is split between two distinct areas of work:

- The Supplier Volume Allocation (SVA) Process Assessment covering Suppliers and SVA Agents
- The Central Volume Allocation (CVA) International Standard on Assurance Engagements (ISAE) 3000 Opinion, covering Central Systems and CVA Meter Operator Agents.

## **Significant findings for the Central Volume Allocation Meter Operator Agents (CVA MOA) and Central Systems ISAE3000 Audit**

The BSC Audit this year noted 13 potential Settlement impacting findings across Central Systems and CVAMOs compared to 12 in the prior year.

The number of material findings for CVA MOAs stayed the same at eight as in the prior year. However there has been an increase in the severity of findings.

For Central Systems, five potential Settlement impacting findings were raised, compared with four in the prior year. While the rise in severity has increased the estimated potential impact on Settlement, the overall impact remains less than 0.1 terawatt hours (TWh), which is what the ISAE 3000 assurance opinion is based on.

The increase in severity indicates a decline in BSC compliance compared to the 2019/20 findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement.

Several historic findings have been closed. One low material non-compliance first raised in 2018 has been closed. Additionally four non-material, non-compliances have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

The impact of Central Systems findings on the overall estimated impact on Settlement remains low. Generally, for higher impact processes, the Audit notes that automation and effective controls significantly decrease the risk of errors.

## **Significant Findings for the SVA Market**

The BSC Audit this year has identified a decrease in the quantity of Settlement affecting findings but an increase in the overall impact that these findings have on the SVA market. There were 168 material findings across the Performance Assurance Parties (PAPs) in scope for testing (compared to 205 last year). The nature of those findings differs from previous years.

COVID-19 has understandably had an impact across the industry, the BSC Audit Approach took this into account for the processes deemed most likely to be impacted and reduced the amount of testing done on those areas. This approach along with the reduced activity (due to lockdown restrictions in the market affecting meter installations, meter replacements and maintenance) has directly led to the reduction in Settlement affecting findings noted.

Lockdown restrictions have also created more problems in areas where manual intervention or site visits would have traditionally resolved issues. Confirming Meter Technical Details (MTDs) is an area where we have seen findings in prior year and it has continued to worsen as a direct result of the lockdown restrictions.

The BSC Auditor and Elexon continue working closely together to ensure the scoping of the BSC Audit remains risk-focused. Data and findings are shared between the various Performance Assurance Techniques (PATs) to increase the audit effectiveness and bring the best value to the PAPs and the market.

## **Concentration of Findings**

This year 51% of all material findings were raised at just five PAPs (compared with 47% at six PAPs last year). When just High and Medium material non-compliances are taken into account, this figure increases to 56% at just three PAPs (compared with 35% last year). As these risk hotspots emerge, it underlines the benefit of targeted scoping in order to focus the BSC Audit on the PAPs, processes and roles which demonstrate the greatest risk to Settlement.

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# 2020/21 BSC Audit

(Continued)

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## D0170 Update

As in 2019/20 The BSC Auditor has noted, both through testing and through discussion of Market Issues, continued problems with responses to the D0170 (Request for Metering System Related Details) flow.

Faster switching over the prior years has led to a gap where neither the current nor previous appointed agents have the correct details for the Metering Point Administration Number (MPAN) they are (or were appointed) to. This impacts both MTDs and Meter Read History (MRH).

We have also noted LDSOs receiving D0170s for meters that they would never have had an interaction with and were therefore unable to respond with accurate or complete D0215s

## COVID-veiled statistics

Of the overall reduction in Settlement impacting findings (37), 35 of those have come from just two roles, SVA Meter Operator Agents (MOAs) and Local Distribution System Operator (LDSOs), both of which were subject to the modified and reduced COVID-impacted approach taken this year as detailed in the BSC Audit Scope. This reduction in findings noted could therefore be misleading and we would likely see increased findings noted in these areas in subsequent audits.

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## Future Impact

The longer-term impact of COVID-19 on the BSC Audit findings and the market is likely to be seen in upcoming audit cycles. This year has seen reduced activity in the market (due to lockdown restrictions) and this has softened the impact on the audit findings. What has been seen though, is an increase at PAPs in backlogs of specific data flows where manual intervention is needed. This is largely due to furloughing of staff.

What we expect to see therefore, is that when activity in the market increases post-lockdown, PAPs will not only have to service the increased activity but also work through the outstanding backlog. This, combined with the fact that COVID-impacted Final Reconciliation Run Settlement Runs (RF), will impact BSC Parties during the 2021/22 BSC Audit period, suggests a difficult period for PAPs and the industry.





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# Technical Assurance of Metering

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**On behalf of Elexon, in its role as the Technical Assurance Agent (TAA), the energy services company C&C Group provide the Technical Assurance of Metering (TAM) Service.**

This service involves visiting customer sites ensuring that Metering Equipment meets BSC requirements and provides accurate data for Settlement. This gives stakeholders assurance that Settlement operates efficiently and accurately.

Elexon and the TAA delivered a number of key service improvements, and also operational changes to best support our customers throughout the COVID-19 lockdown. These included:

## **Technical Assurance Agent Management Tool (TAAMT) 2**

- Throughout the 2020/2021 operational year (1 Apr 2020 to 31 March 2021) Elexon and the TAA have been working hard to deliver an overhaul of the Technical Assurance Agent Management Tool (TAAMT) online platform.
- The new digital platform will maintain the same functionality as TAAMT1, with increased user speed and a modern look and feel.

## **Suspension of TAM Activities**

- At its March 2020 meeting, the PAB approved recommendations for a suspension of all TAM activities in response to the first COVID-19 lockdown.
- Suspension of TAM activities is still in place at the time of writing this report. This has allowed customers to focus on business critical activities, during a period of upheaval.

## **Optional Desktop Audits**

- Elexon successfully delivered [P391 'Introducing Desktop Audits'](#) in April 2020, allowing for greater flexibility on the method we use to provide assurance on the accuracy of Metered data used for Settlement purposes. Desktop Audits supplement site Inspection Visits through a review of Metering Equipment records and data.
- At its June 2020 meeting, the PAB approved recommendations for customers to opt in to the TAM Desktop Audit program.
- Optionality allowed customers to tailor the number of audits undertaken in the Desktop Audit program, to ensure that business critical processes were not impacted. Making desktop audits optional allowed some flexibility to our customers in helping them manage the impact of COVID-19.
- The start of Desktop Audits also allowed for Elexon to evaluate the new process and identify improvements.
- The Optional Desktop Audit sample allowed Elexon and the TAA, with support from the Technical Assurance of Metering Expert Group (TAMEG), to identify a number of key improvements (effectively a subset of the improvements to Desktop Audits).
- Elexon and the TAA successfully delivered critical Desktop Audit processes and TAAMT improvements in January 2021. Improvements centred on changes to non-compliance responsibilities.

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## Trading disputes

The Trading Disputes process allows BSC Parties to amend Settlement to take account of issues that have come to light, and which affect Trading Charges.

During 2020/21, 63 Trading Disputes were raised (compared with 85 in 2019/20). All Trading Disputes were resolved by Elexon or the Trading Disputes Committee without escalation to the BSC Panel.

**“Elexon and the TAA delivered a number of key service improvements, and also operational changes to best support our customers throughout the COVID-19 lockdown.”**

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# Performance Assurance Framework (PAF) focus

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**The Balancing and Settlement Code provides that all aspects of Performance Assurance be reviewed 'from time to time.' This allows all aspects of our assurance regime to be updated holistically as technology, regulation, or economic factors shift.**

The PAF review began in 2017. The scope of it was designed to ensure the PAF meets the challenges of a rapidly changing industry and continues to provide value to its stakeholders.

The review sought to deliver an overarching framework to ensure that new and older Performance Assurance techniques worked together to provide a seamless system of validation and assurance. This system also needed to be future proofed for changes that are yet to come. To this end, all aspects of assurance have moved to standardised processes and procedures, which in turn are linked back to the overall risk model. This approach allows areas of concern or focus to be identified more quickly. Our work and approaches can also be dialled up, or down, depending on changes to the overall risk profile.

Exelon aims to institutionalise a culture of continuous improvement which should enable our risk owners (Exelon colleagues) to continue to innovate and keep techniques up to date with further changes. We have aligned all our risk owners under the single assurance team to improve collaboration and innovation sharing.

**The following areas of the PAF Review were progressed during 2020/21:**

## Risks

To ensure cutting edge techniques were deployed as quickly as possible under the BSC we remodelled our risk methodology to follow that used in insurance and financial market models. For example, we made a number of substantial changes to our approach to align it with the insights from finance and insurance, including changes to how we record and assess Settlement Risk. We now include an estimation of the monetary impact of risks to justify the deployment of mitigating actions.

This allows our risk models and technique deployment to flex and pivot in line with changes in the industry and the wider economy, such as a greater risk of SoLR or an additional focus on hard to access sites. By knowing the impact of risks we are able to quickly adjust our resources to maximise their impact and reduce the overall risk to Settlement. We can also determine where best to deploy mitigating actions and techniques.

## PAF Techniques

Our preliminary review activities identified opportunities to make these procedures more accessible. We also worked to improve the understanding that Parties have of these processes (and their ability to engage with the processes).

We consider that the PAF is now ready to manage the consequences of major industry change such as opening up of the BM to VLPs, and MHHS. The key goals of the Review were to introduce flexibility and agility to all techniques as well as to ensure all techniques could work in concert with each other and the Risk Operating Plan. These have been met.

## Data Provision

Data is critical to the effectiveness of Performance Assurance. Many of the issues related to the existing arrangements (which were raised by the PAB and by the [Issue 69 group](#)) could be partly attributed to current methods of provisioning data.

The learning from industries beyond the energy sector and the move to a more flexible and agile system allows the PAB to control the levels of expenditure on particular risks and emerging issues. (The amount Exelon spends on the BSC audit, the EFR process and the Technical Assurance of Performance Assurance Parties regime are negotiable each year). We consider that the PAF provides a holistic and complete system for the validation of data. It also provides the evidence for robust decision making. The PAF will continue to evolve as major changes such as MHHS take effect. We consider that the framework as a whole eliminates any or lack of clarity by providing trustworthy evidence and un-biased analysis.



# OUR PERFORMANCE AND SERVICES





# BSC services in operation

## Balancing Mechanism Reporting Service (BMRS)

Over 2020/2021, the BMRS has reaffirmed its position as Exelon's most popular service with customers. Daily requests to the BMRS Application Programming Interface (API) service have increased from 2 million in 2019/20 to 3.6 million in 2020/21. The number of individual users has risen from approximately 35,000 to 55,000. The service operates 24/7 and was available 99.6% of the time in 2020/21.

## Delivering Industry Changes

Exelon has delivered several industry changes on BMRS which included BSC changes CP1535 'Interconnector Fuel Type Category update to BMRS' and P408 'Simplifying the Output Usable Data Process.' CP1535 introduced North Sea Link interconnector data on BMRS. The P408 changes to aid transparency were explained in the BSC change section of the report. We also completed a technical upgrade of the infrastructure.

## Establishing BMRS Change Board

Exelon established the BMRS Change Board to oversee changes to BMRS. This helps to ensure efficient governance for Change Proposals impacting the BMRS, as well as operational performance of the platform. Exelon ran four BCB meetings in 2020/2021.

## BSC Central Systems Availability Performance 2020/21

- Exelon delivered over 99% availability on its 24/7 core services
- Energy Contract Volume Allocation Agent – 99.96%
- BSC Service Desk – 99.97%.

## Key Statistics 2020/21

- Number of Settlement Runs 2561 (12 month Total)
- Amount of credit cover managed – £539m to 31 March 2021
- Number of Energy Contract Volume Notifications received 3.24 million.



# Review against the annual budget

For each financial year we prepare a business plan comprising our strategy and budget for the year ahead and ask for feedback on it from our customers. That feedback is shared with the Panel and an updated version of the plan is presented to our Board in March each year so that it can be finalised and approved for the coming financial year.

BSC expenditure outturn for 2020/21 is £49.3m, resulting in a £6.5m underspend (11.6%) against an annual budget of £55.8m.

The position against budget for the full year is summarised in the table below. Delivery of EMR services has enabled £904k of existing BSC overheads to be defrayed.

This year, COVID-19 restrictions have had an impact on Elexon's costs. This has resulted in savings on office overheads and delayed project timescales contributing £4.1m of the underspend.

Release 2 of Elexon Kinnect has been delivered. Work is well underway on migration of the Settlement Administration Agent (SAA) to the new platform. Work is also underway on development of the Analysis and Insights solution. More detail on this is in the Kinnect section of this report.

The remaining £2.4m of the total underspend of £6.5m is due to:

- Lower than budgeted Demand Led industry change (£0.8m)
- Unused contingencies (£0.5m) and various smaller variances (£0.8m)
- Lower than expected spending on market development (£0.3m).

As Elexon is a not-for-profit company, costs are exactly matched by turnover for the year. In order to achieve this there has already been a reconciliation of BSC costs charged to BSC Trading Parties for the 2020/21 financial year of £4.3m, based on the pre-audited costs.

The remaining £2.2m for the 2020/21 financial year is intended to be returned to BSC Trading Parties in October 2021.

Overall the Kinnect Programme remains on budget with £25.8m of investment in progress, of which £10.1m has been spent to date (since 2018). In 2020/21 we spent £5.3m in total on delivering Kinnect.

	Full Year Budget	Full Year Actuals	Full Year Variance	%
Operational-people	12.9	12.9	0.0	0.0
Operational-other	7.9	7.0	0.9	11.6
<b>Total operational</b>	<b>20.9</b>	<b>20.0</b>	<b>0.9</b>	<b>4.4</b>
Demand led	4.2	3.4	0.8	18.7
Contracted	20.1	18.0	2.1	10.3
System strategy	10.1	7.7	2.4	24.4
Business development	0.5	0.2	0.3	62.4
<b>TOTAL</b>	<b>55.8</b>	<b>49.3</b>	<b>6.5</b>	<b>11.6</b>

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# Corporate Social Responsibility

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## **Our Corporate Social Responsibility (CSR) Strategy is built around four themes (Environment, Community, Workplace and Marketplace).**

The strategy ensures that we behave in a sustainable, socially and environmentally responsible manner while supporting our ambition, values, brand and business objectives.

### **Environment**

Our office has been closed since mid-March 2020, due to the COVID-19 pandemic which has resulted in large reductions in energy usage in our building. These savings are temporary, but we hope to continue to embrace some of these positive impacts by supporting and encouraging our people to work flexibly where possible, thus reducing the impact that their travel to work has on the environment. We have invested in our technology to enable our people to attend meetings and events remotely to manage our business through the COVID-19 disruption and avoid unnecessary travel.

Through our environmental policy we provide our colleagues and visitors with clear guidance on how we manage our impact on the environment in our day-to-day work activities. We also offer guidance on their responsibility to help deliver the policy. We aim to reduce our environmental impact through staff awareness campaigns, by monitoring our energy consumption and recycling our waste.

Since 2017 we have been reducing our energy bills by using lighting controls, and turning off IT equipment, when it is not in use. We made instant savings after installing these controls in 2017 and since then we have been working to make additional savings.

The energy supply to Elexon's office is 100% renewable and our office has an A+ rating for energy efficiency. We work closely with our mechanical and electrical contractor to continually improve our energy usage and implement energy saving adjustments. We have also worked with our cleaning contractor to reduce the usage of harsh or hazardous chemicals in our office and to reduce the waste created from cleaning our premises.

### **Community**

At the beginning of January 2020, we started a three-year partnership with two charities, Cancer Research UK and the Mental Health Foundation, which were both chosen by Elexon colleagues.

This year, although limited somewhat because of COVID-19 restrictions, we still managed to raise more than £1,100 for each charity. As well as supporting the charities through fundraising, we encourage our employees to use volunteering days, or to participate individually in charitable activities. From running marathons to charity boxing matches, and cycling, our colleagues are frequently willing to raise money for both the company's chosen charities and personal causes. In addition, two colleagues raised more than £1,000 each for two charities, [Sands](#) and Atlas Children, a Moroccan charity.

### **Workplace**

As a business we believe our people are our greatest asset, and we depend on the skills and commitment that they bring to the organisation.

We have recently appointed a Head of Resourcing to give greater focus to attracting and retaining colleagues. We aim to continue to attract and retain highly skilled colleagues in order to assure delivery of our industry leading customer service, robust processes and systems. Our Head of Resourcing will lead on Elexon's talent strategy and align it to our overall objectives.

We recognise that to provide a great place to work, we need to retain our focus on health, wellbeing, and personal development. The support we offer to colleagues includes promoting advice from the Mental Health Foundation and our Employee Assistance Programme. This year, our initiatives and campaigns have had a key focus on wellbeing, stress awareness, and diversity and inclusion.

We also now have several qualified Mental Health First Aiders at Elexon who hold drop in sessions on Wednesdays and Fridays every week for colleagues that might need some guidance or even just to talk to someone.

We did not furlough any of our staff as a result of the pandemic, nor have we used any of the Government support schemes. We continue to reassess our ways of working to ensure that we support staff in continuing to deliver our services to the same standard.



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# Corporate Social Responsibility

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## Helping colleagues to develop in their career

We generate and preserve value over the longer term by continuing to focus on developing our people's expertise. This is so we can build capability in the business, as we gain a better understanding of the skills our people need to perform in a rapidly changing energy market. It also means we are helping our people to develop in their career and improving Elexon's contribution to energy market challenges.

We do this by:

- Providing training, coaching and mentoring to ensure we achieve the right balance between a high degree of flexibility and the robust, predictable service delivery for which Elexon is recognised
- Building on our Silver Investor in People accreditation and continuing to work with Investors in People to enhance our approach
- Maintaining our focus on knowledge sharing and transfer to enable our experts of tomorrow.

We communicate and maintain good employee relationships by ensuring that:

- We undertake a staff survey each year, with any issues we find forming part of an action plan for the forthcoming year
- Colleagues have regular contact with senior managers and members of the executive team
- We hold regular 'web talks' where Chief Executive Mark Bygraves and the Executive engage with, and update staff on key issues
- The Elexon Board holds a series of regular briefing sessions with employees
- We produce a weekly newsletter for colleagues.

## Marketplace

We operate open and transparent procurement policies. We seek to ensure that all our suppliers and vendors follow ethical practices. This includes considering their values, CSR responsibilities and environmental practices. We actively look to raise awareness of CSR and influence the practices of our own suppliers. We also insist that our London-based contractors pay their staff at least the London Living Wage, and audit this on an annual basis.

We require continuous improvements in CSR from our existing service providers and suppliers. This includes early adoption of new technologies, staying informed and implementing any new requirements resulting from legislation changes.

Through our marketplace and commercial activities, we are committed to exceeding our legal, moral and corporate obligations to our customers, suppliers and colleagues.



# COMMITTEE SUMMARIES

A number of committees carry out duties to support the work of the BSC Panel. Membership of the committees is drawn from the industry. Committee members must act impartially and must not represent the view of any one Party or class of Parties. Below we report on the work of the committees during 2020/21.





# Performance Assurance Board

The PAB conducts and administers activities to ensure the efficient, equitable and accurate allocation of energy between Suppliers. To achieve this it provides assurance that all BSC Parties are suitably qualified and that relevant standards of performance are maintained.

During the year the PAB considered 153 papers, a 16% decrease from the previous year. Of these, 56% (85) were decision papers compared to 62% (114) in 2019/20. The PAB continued to play a key role in supporting the industry in managing the impact of the COVID-19 lockdowns, by approving a range of measures. Further detail on these measures can be found on our [COVID 19](#) information page.

## Error and Failure Resolution

PAB's approach to EFR during the pandemic has been to take a 'light-touch', compared to that applied prior to the outbreak.

One of the PAB's decisions to support the industry in managing the impact of COVID-19 was to suspend the Error and Failure Resolution (EFR) targets, which Suppliers would normally face for not meeting Settlement performance targets. A decision was taken in October 2020 to resume EFR performance targets.

However:

- While Suppliers are expected to provide root cause analysis of underperformance, to set out the actions being taken against the areas of concern and to provide regular progress updates, detailed forecasts of Settlement performance improvements will not be mandatory
- If Suppliers provide performance forecasts for meeting their Non Half-Hourly (NHH) or Half Hourly (HH) obligations, and set out expectations to Elexon, failure to achieve these forecasts would not currently result in escalation steps being taken.

## Qualification

PAB approved 25 Qualification applications (to become a BSC Party) in 2020/21. This is a 19% increase from 2019/20. The number of qualifications mentioned in Customer Operations section of the report for 2020/21 (32) is higher because some companies have qualified for more than one role under the BSC. The types of Qualification are illustrated in the table below.

	2020 / 21	2019 / 20
Qualification	14	11
Re-Qualification	3	3
Removal of Qualification	3	–
Surrender of Qualification	2	–
Novation	2	–
Change of Ownership	1	7
Total Applications	25	21



## Trading Disputes Committee

During 2020/21, the Trading Disputes Committee upheld 37 Trading Disputes. The total error corrected through the Trading Dispute process was approximately £14.9m.

One Trading Dispute, relating to Grid Supply Point (GSP) metering, had a materiality in excess of £12m. This Trading Dispute related to the total load of a GSP being under-recorded due to a Meter wiring issue.

All Trading Disputes were resolved by the Trading Disputes Committee. None were escalated to the BSC Panel.

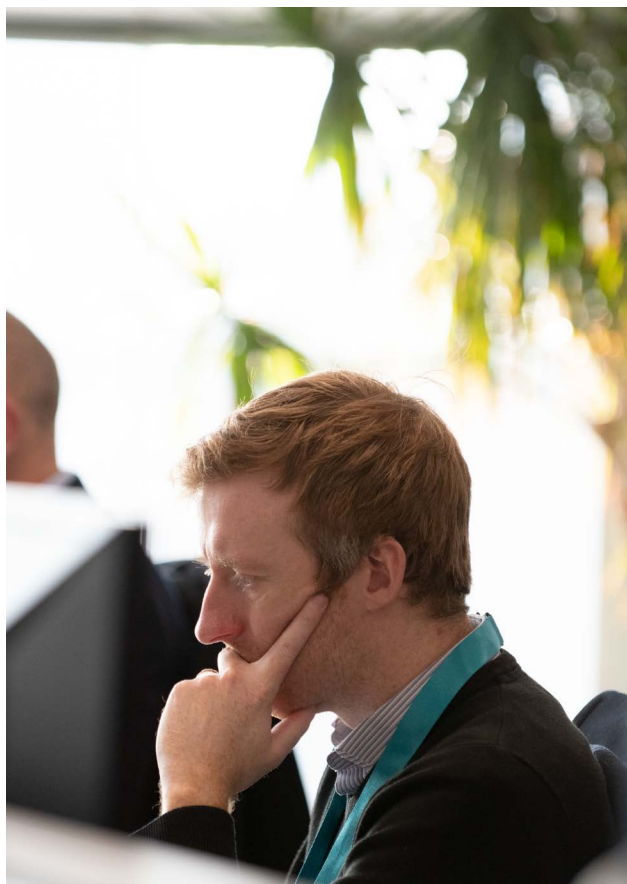
## Supplier Volume Allocation Group (SVG)

The SVG oversees and helps to develop the SVA arrangements. To assist it, the group also has some advisory subgroups in specific areas:

- Metering Dispensation Review Group (MDRG, a joint subgroup with the ISG)
- Profiling Expert Group (PEG)
- Software Technical Advisory Group (STAG)
- Unmetered Supplies User Group (UMSUG).

Over the year, the SVG:

- Approved 10 Change Proposals, and rejected one
- Deferred two papers to the BSC Panel where a unanimous decision could not be reached regarding an Exempt Supply application and a process for additional changes to support the TCR element of Ofgem's Significant Code Review (SCR)
- Approved or amended Configurable Items for the June 2020 and April 2021 BSC Releases
- Oversaw over 220 changes to MDD
- Allocated one new GSP to the respective GSP Group
- Approved new profiling Technical Product Deliverables, Default Estimated Annual Consumption values and Annual Fraction of Yearly Consumption values, following the Profile Expert Group's annual review
- Approved a new methodology for the SVA Line Loss Factors (LLFs) annual audit and following that audit, the new LLF values
- Approved two sets of the UMSUG recommended changes to the Unmetered Supplies Operational Information Document
- Approved one application for Central Management Systems
- Approved one application for export volumes recorded on SVA Metering Systems to be treated as exempt supply for purposes of Electricity Market Reform (EMR) charging.
- Approved updated Terms of Reference (ToR) for the SVG in order to align better with the other Panel Committees and make the meetings more efficient and effective.



# Imbalance Settlement Group (ISG)

The Imbalance Settlement Group oversees and helps to develop the CVA Arrangements. Over the year, the group has achieved the following:

- Approved three BSC Change Proposals (CPs): CP1527, CP1528, CP1538
  - Approved four temporary Metering Dispensations
  - Approved eight lifetime Metering Dispensations
  - Approved one generic Metering Dispensation
  - Approved one Trading Unit Application
  - Approved two Non-Standard BM Unit (BMU) Applications
  - Approved eight Credit Assessment Load Factor (CALF) appeals
  - Reviewed the Value of Lost Load (VoLL) and Loss of Load Probability (LoLP)
  - Reviewed the Market Index Definitions Statement (MIDS)
  - Approved changes to generic Supplier Export Credit Assessment Load Factor (SECALF) values for use from the Autumn 2020 BSC Season onwards
  - Approved the methodology, and actual Load Periods and Sample Settlement Periods to be used in the derivation of Transmission Loss Factors for the BSC Year 2021/22
  - Approved CVA Line Loss Factors (LLFs) for use during the 2021/22 BSC Year
  - Recommended that no change is made to the Continuous Acceptance Duration Limit (CADL)
  - Recommended that no change is made to the De Minimis Acceptance Threshold (DMAT)
  - Recommended that no change is made to the Generation Capacity (GC)/Demand Capacity (DC) limits
  - Approved the Delivering and Offtaking Estimated Transmission Losses Adjustment (ETLMO) for use in the BSC Year 2021/22
  - Approval of the Document Changes amended as part of the June 2020 Release
  - Approval of the Document Changes amended as part of the November 2020 Release
  - Approval of the Document Changes amended as part of the December 2020 Release.
- The Terms of Reference for the ISG were updated to align with other Panel sub-committees.



ELEXON  
350 Euston Rd, London  
NW1 3AW, United Kingdom

Tel: 020 7380 4100  
Web: [elexon.co.uk](http://elexon.co.uk)

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