ELEXON

BUSINESS PLAN 2022/23
PRIORITISATION SUMMARY

Elexon 2022/23 Business Plan Prioritisisation Summary

The Elexon 2022/23 business plan outlines Elexon's priorities for the 2022/23 financial year, starting in April 2022. Our overarching focus is on 'delivering the day job', namely continuing to manage Settlement to our historical high standards, and working to support Net Zero. Our corporate purpose - 'serving at the heart of the energy industry, building a path to Net Zero' - is driving our work to adapt the BSC for the challenges of the future, and helping us to be an enabler for change.

This document is intended to provide a short summary of our 2022/23 priorities and budget. Further detail is available in the full Elexon Business Plan.
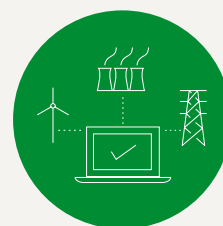
What are our 2022/23 priorities?
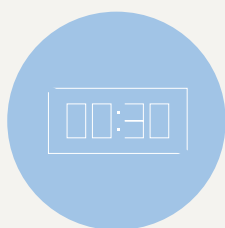
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Mobilising and delivering the MHHS Implementation Manager role

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The 2022/23 budget

The total proposed budget for 2022/23 is £98.2m, compared to £83.7m in 2021/22. The drivers for this increase are the MHHS programme (£19.5m in 2022/23) and the Helix programme (£16.2m in 2022/23), which are mandatory following Ofgem's approval of MHHS implementation in April 2021.

We appreciate the challenging market conditions that our customers are facing. Ahead of preparing the plan we challenged ourselves to ensure that the work we are proposing to do is essential, and delivered in the most efficient way possible. As a result, our budget for 'regular business-as-usual activity' including operational costs will decrease by £6.6m (nearly 10%) to £62.5m in 2022/23. The number of people we employ to deliver our regular BSC activity, and our operational costs are also broadly consistent with the 2021/22 budget.

Elexon is a not for profit entity, and any underspend in our budget is always returned to BSC Parties.

Our 2022/23 priorities

The MHHS Programme

In April 2021, Elexon was appointed by Ofgem as Senior Responsible Owner and Implementation Manager for MHHS. The MHHS Programme is focused on delivering the benefits of MHHS to energy companies and consumers – estimated by Ofgem to be between £1.5bn - £4.5bn between 2021 and 2045. MHHS will also enable changes that support the energy sector's transition to Net Zero, including use of Demand Side Response, Time of Use Tariffs, Peer to Peer trading, and Vehicle to Grid services.

The MHHS Programme's priorities include:

- Finalising the detailed design of the Programme solution and providing design artefacts to industry.
- Designing, building and testing the new 'Event-Driven' Architecture (EDA).
- Ensuring that Programme Participants develop their own internal systems ready for industry testing starting in 2023.

The Helix Programme

The Helix Programme is focusing on redeveloping BSC Central Systems and processes to support MHHS. It is separate from the ring-fenced MHHS Programme Manager role discussed above.

Helix is needed because MHHS will require Elexon to process 90 times the amount of Half Hourly data it currently processes, while also unlocking benefits for BSC Parties, including faster and more accurate Settlement. Elexon will deliver three new services and one new system on Elexon Kinnect. This functionality will be developed ready for industry testing between April 2023 and June 2024, prior to MHHS implementation in October 2025.

Elexon Kinnect

Elexon Kinnect is our new digital platform, which is flexible and scalable to support the needs of customers on the road to Net Zero. It is split into three different solutions, which are at different stages of development and implementation:

The Settlement Solution

- Migrating the Settlement Administration Agent (SAA) to the new platform.
- Preparing to replace the Supplier Volume Allocation Agent (SVAA) with the Volume Allocation Service.
- Planning and designing the migration of the Funds Administration Agent (FAA) and Central Data Collection Agent (CDCA).

The Insights Solution

- Migrating all remaining data provision from the Balancing Mechanism Reporting Service (BMRS) to the new solution ahead of decommissioning of BMRS in 2023.

The Customer Solution

- Deploying more functionality to enhance account management to support implementation of Modification P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point' and Ofgem's faster switching programme.

The three new Helix services
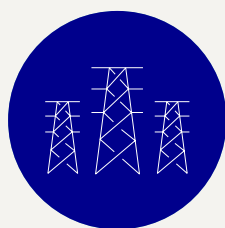
Load Shaping Service (LSS)
The LSS will calculate energy consumption and load shapes using validated actual Settlement Period level data. These robust consumption profiles will improve the information we provide Suppliers by enabling them to better predict their customers' usage, and perform their associated balancing activities
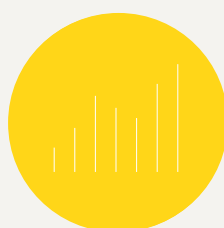
Market-wide Data Service (MDS)
The MDS will aggregate data for smart, non-smart, advanced and unmetered supplies for Imbalance Settlement and other purposes such as network charges and flexibility offerings. It will also calculate and apply Distribution Line Loss values to the data, enabling it to provide data for BSC Assurance purposes

Volume Allocation Service (VAS)
The VAS will use data from the MDS to calculate energy volumes for Balancing Mechanism Units. The VAS will replace the legacy Supplier Volume Allocation Agent (SVAA) The VAS feeds into shorter Settlement run times, allowing Suppliers to better manage their credit positions, and pass savings on to customers

Our 2022/23 priorities
(continued)

Assurance of the BSC

Elexon Assurance services manage and mitigate the risks associated with Settlement, as set out in the Performance Assurance Framework (PAF). The priorities for our Assurance product are:

- Implementing a new Risk dashboard.
- Designing two new tools to replace paper forms, improving the user experience for the Disputes and Error and Failure Resolution (EFR) processes.

In February 2022 we implemented Modification P429 'Switching off Participant Reported PARMS Serials' to remove the majority of Performance Assurance Reporting and Monitoring System (PARMS) Serials used to calculate Supplier Charges. This has reduced the BSC compliance burden from Suppliers. The system changes to support implementation will be implemented in June 2022, and BSC Parties can ignore any emails requesting the submission of PARMS Serials they receive between now, and 30 June.

Reforming the BSC to support Net Zero and digitalising the code

We are working to implement two BSC Modifications that support progress to Net Zero. These BSC Modifications are:

- Modification P375, which will allow activities of smaller storage and renewable asset owners to be visible in Settlement and create more opportunities for Demand Side Response.
- Modification P376 'Utilising a Baselining Methodology to set Physical Notifications' which will improve competition in balancing services.

During 2022/23, we will also be developing Modification P415 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties' which, if approved, will open more opportunities for smaller asset owners to provide services by proposing that Virtual Lead Parties (VLPs) can trade in the wholesale market.

We will also digitalise all 9,000 pages of the BSC and its subsidiary documents, allowing BSC Parties to 'self-serve' requests for information on how the BSC impacts them, including complex searches over the entire range of BSC documents. It will also reduce timescales for updating code rules, which should speed up implementing change and reduce administration costs for customers.

The first usable version of the digitised BSC will be available in April 2022, and throughout 2022/23 we will continue to deliver further phases.