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## Elexon Business Plan 2023 – 2024 Amendment

### Our budget for 2023/24

In early 2023 we published our Business Plan with a budget of £107.7m for 2023/24 to deliver all Elexon activity, including that for the Helix Programme and the Market-wide Half Hourly Settlement (MHHS) Programme. This reflected the outcome of our annual rigorous business planning process, in which we set out our priorities and identified the budget required for the following year, based on anticipated activities for the year ahead.

Due to the recently agreed re-plan of the MHHS Programme, proposed by industry and approved by Ofgem, we were required to review the 2023/24 budget to consider how to fund the consequential impacts on the Helix Programme and the MHHS Programme. We also carried out a significant financial analysis to reduce costs as much as possible and mitigate the additional in-year increase. This has resulted in an agreed combined budget increase of £3.7m that will require adjustments to BSC Party payments, in the January – March 2024 period.

An amended budget of £111.4m has been agreed for 2023/24 to continue to deliver all Elexon activity, Helix Programme and the MHHS Programme.

### Budget increase components

The £3.7m is made up of two components:

#### **Market-wide Half Hourly Settlement (MHHS) Programme re-plan and drawdown**

Following the approved MHHS Programme re-plan, we will need to drawdown £2.2m of the overall agreed programme budget into the current financial year of 2023/24. Following the re-plan and in light of the positive increase in the number of participants volunteering for the early phase of Industry Testing (SIT Milestone 9), the programme has had to adjust its resourcing profile. The re-plan extended the programme timescales and will use some of the programme contingency, reducing the contingency allocation for the remaining three years of the programme.

In accordance with the funding arrangements for MHHS, this increase will affect Suppliers only. The MHHS Programme is striving to work across industry to deliver the existing plan and focus on delivering benefits to consumers, following the Go Live date in March 2025.

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## **Required changes to the Helix Programme following the re-plan**

Ofgem's approved re-plan of the MHHS Programme has had a significant impact on Elexon's Helix Programme, resulting in an overall increased budget requirement of £7.2m for 2023/24. The original funding provision for Helix in the 2023/24 Annual Budget was £17.8m. Design drops from the MHHS Programme, which happened later than were previously planned, have both extended the timescales for Helix development and resulted in more extensive and necessary re-work of previously developed code. This has caused increased costs for Helix within the current financial year totalling £7.2m.

To mitigate this financial impact, we carried out a financial deep-dive and re-planning exercise both within Helix itself and across the wider Elexon operational business and identified opportunities to alleviate this increase as much as possible. These opportunities have included identifying efficiencies in our processes, delaying some expenditure until the following financial year, and stopping some areas of spend altogether. Savings have been identified across our BSC activity, demand led and system strategy expenditure categories. As a result, we have been able to reduce the 2023/24 shortfall to £1.5m. This increase will require adjustments to payments for all BSC Parties.

## **How we will make these adjustments to payments**

These adjustments have been made in accordance with Section D of the Code, which is consistent with the approach we take to all regular invoicing. The adjustment amount will be calculated based on BSC Party annual turnover, taken together with identifying whether you are a Supplier participating in the MHHS Programme. For Aggregators and Generators, the total budget increase is £1.5m and for Suppliers who participate in the Market-wide Half Hourly Settlement Programme, the total budget increase is £3.7m. These adjustments will be reflected in the January – March 2024 monthly invoices.

We are continuing to review the anticipated impact of design changes across both the Helix Programme and the entire lifecycle of the MHHS Programme so that we can accurately reflect expected increased total costs in the 2024/25 budget. These are "must-do" programmes, which need to be delivered at pace in accordance with the agreed re-plan. However, we remain very mindful of our principal priority to ensure the best value for BSC Parties, keeping costs both realistic and to a minimum.

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## Delivery of Programmes

### 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 bring between £1.5bn - £4.5bn of benefit, 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:

- Implementing the design through a significant period of industry testing, which commenced in accordance with the plan in October 2023
- Integrating the testing between all programme participants, including Helix and the Data Integration Platform
- Planning and executing qualification testing and migration
- Completing readiness activities to enable transition to the new settlement timetable.

### The Helix Programme

The Helix Programme is focusing on redeveloping BSC Central Systems and processes to support MHHS. It is being delivered by Elexon in our role as a programme participant and will play a central role in the delivery of half-hourly settlement. 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.

These include:

- The Load Shaping Service, which will calculate energy consumption and load shapes using validated actual Settlement Period level data. These robust consumption profiles will improve the information we provide to Suppliers by enabling them to better predict their customers' usage and perform their associated balancing activities.
- Market-wide Data Service (MDS), which will aggregate data for smart, non-smart, advanced and unmetered supplies for Imbalance Settlement and other purposes, such as network charges and flexibility offerings.
- Volume Allocation Service, which will use data from the MDS to calculate energy volumes for Balancing Mechanism Units. This will feed into shorter Settlement run times, allowing Suppliers to better manage their credit positions, and pass savings on to customers.
- Industry Standing Data – a system that will be an enhanced and efficient version of our Market Domain Data and Line Loss Factor services. This will save both time and resources for BSC Parties and Elexon colleagues.

The programme will transform existing BSC services, including Settlement and Invoicing, Participant Management, and Rules Management and Assurance. Functionality will be developed ready for industry testing between October 2023 and February 2025, prior to MHHS implementation in October 2025.

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## Elexon Business Plan 2023 – 2024 Proposed Amendment

### Summary financial details

Item			2023/24	2023/24
	Year to March 2023/24 Original Budget £m	Year to March 2023/24 Amended Budget £m	Budget vs Original Budget £m	Budget vs Original Budget %
Elexon BAU Operational incl EMR Income	22.1	20.8	1.3	5.9%
Contracted	21.2	20.9	0.3	1.4%
<b>Total BSC Regular Activity</b>	<b>43.3</b>	<b>41.7</b>	<b>1.6</b>	<b>3.7%</b>
Teleswitch (pass through from DNOs)	4.9	5.0	(0.1)	(2.0)%
EPG	0.2	0.2	0.0	0.0%
Demand Led and Digitalisation	21.7	17.5	4.2	19.4%
<b>Total excl. MHHS &amp; Helix</b>	<b>70.1</b>	<b>64.4</b>	<b>5.7</b>	<b>8.1%</b>
Helix	17.8	25.0	(7.2)	(40.4)%
MHHS	19.8	22.0	(2.2)	(11.1)%
<b>Total Elexon</b>	<b>107.7</b>	<b>111.4</b>	<b>(3.7)</b>	<b>(3.4)%</b>

We had proposed and, following invitation to industry participants to comment, both the Elexon Board and BSC Panel have approved an amended budget of £111.4m for 2023/24 to continue to deliver all Elexon activity, Helix Programme and the MHHS Programme. This is an increase of £3.7m (3.4%) against the current year's original budget of £107.7m.

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The waterfall graph below illustrates the drivers for the changes to our 2023/24 Budget:

