ELEXON

# BUSINESS PLAN 2024/25

# CONTENTS

# OVERVIEW

**Elexon is a trusted, independent expert responsible for designing and delivering some of the most important services and programmes within the GB energy system.**

**Over the last 12 months, Europe and the GB energy markets have been recovering from the extreme price shocks of last year. While the winter outlook for both gas and electricity has improved, energy supply remains sensitive to global events, and prices continue to remain high relative to historic norms.**

**Sara Vaughan**
Chair of Elexon Ltd and the BSC Panel

**With the market turbulence of the last two years, and with 2023 being the second warmest year on record in the UK, the importance of achieving Net Zero has only grown.**

In parallel to decarbonising the electricity system itself, the need for electrification of the heat and transport sectors is posing challenges that require industry-wide solutions. It is essential that, as a sector, we work with Government to deliver on our climate goals whilst ensuring security of supply. Yet we must also keep costs as low as possible for consumers, and increase our resilience through greater energy independence. Elexon has an important role to play in this by continuing to develop and deliver successive reforms to the BSC which support Net Zero and the move to a more efficient system. In the 'Key Modifications for 2024/25' section of the plan, there is detail about these changes. They include our work to implement P415 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties (VLPs)' in November 2024. This is a landmark change which will allow VLPs to participate in the wholesale market.

Elexon must continue to work with the industry to develop BSC reforms which will make it easier for demand-side response (DSR) and flexibility to help meet the projected increase in electricity demand during the coming decades. At the centre of this is the need to unlock the value of our existing assets through provision of more data on their capabilities.


Elexon's 2023-2025 corporate strategy centres on transforming energy code management, and cementing our position as a central energy markets leader by 2026. In accordance with our purpose, serving at the heart of the energy industry, driving a path to Net Zero, we will be working with industry to make significant progress in the energy transition. We also want to be recognised by customers and stakeholders for our excellence, innovation, speed and value for money.

Five core themes will enable us to play a central role in delivering on this strategy, and in supporting the energy sector to respond to the market conditions we have highlighted.

These themes are:

- Delivering service excellence and customer value
- Delivering strategic programmes
- Transforming code management
- Strengthening industry engagement to drive more value in what we deliver
- Developing our people.

2024/25 will be the second year of our strategy programme and marks a critical phase for us. As always, our core focus is on delivering accurate Settlement for Parties. We will complete Elexon Kinnect, our cloud platform for Balancing and Settlement Code (BSC) services and will also continue with the industry testing phase of the Helix Programme, as part of Market-wide Half Hourly Settlement (MHHS) System Integration Testing (SIT), which we entered in October 2023.

The new services we are building through our Helix Programme and MHHS will deliver shorter Settlement time-scales (reducing from 14 months to four months), based on actual meter point consumption. BSC Parties will be able to operate more efficiently, better manage their credit positions and pass on greater savings to consumers. The Helix services will provide Elexon with the necessary capability rapidly to process the 12 billion meter reads produced each year once MHHS is implemented. Both Kinnect and the Helix Programme have involved significant investment by BSC Parties, to ensure that our systems are fit for purpose for the energy transition.

**Becoming a more customer focussed organisation**
Serving the industry is at the heart of what we do, and we want BSC Parties to find it even easier to engage with us and to enhance their overall customer experience. To support this we introduced the first phase of Elexon Support, our new Customer Service Management (CSM) system in January 2024. It will make it easier to connect our customers with the expertise of Elexon colleagues.

We expect the system to provide Parties with quicker answers, reducing the need for them to call the BSC helpdesk. The system will also improve our visibility of customer enquiries and allow us to resolve them with less reliance on third parties. Subsequent phases (from 2024 onwards) will extend to IT service management. During the coming year we are also looking to consolidate the Elexon websites to improve the overarching digital customer journey.

**Market-wide Half Hourly Settlement**
Elexon is playing a central role in the implementation of MHHS, which will be delivered in 2026. This reform is critical to the UK achieving Net Zero. The industry-agreed re-plan, which was approved in June 2023, is currently on track and the priority for the MHHS Programme is to successfully deliver that revised plan. The re-plan will continue with the start of migration of MPANs from April 2025, and with the cutover to the new Settlement timetable expected to happen in December 2026.

A key priority for Elexon during 2024/25 will be completing work on the qualification and requalification process for MHHS participation. This involves ensuring that around 200 market participants benefit from a smooth process to either qualify (or requalify) to participate in MHHS.


**Completion of Kinnect**
We will have completed the roll out of Kinnect and switched off the remaining legacy systems in October 2024. We are grateful for the help we have had from many Parties in designing it and testing it. The new Kinnect platform will give us tremendous agility to rapidly alter or expand BSC services to accommodate the many changes we expect to see in the next few years. We set out the detail of the remaining steps of the programme in the 'Delivering strategic programmes' section of the business plan. Following completion of Kinnect, we will work to deliver further benefits of the platform to customers, which will include working with the rest of the industry as well as the BSC Panel to identify ways we can speed up implementation of BSC changes.

**Expanding our data provision**
As a trusted, independent expert, Elexon's role in providing data to the energy market and innovators is becoming more important. In March 2025, we will become responsible for the operation of the Data Integration Platform (DIP). It comprises 'next generation' messaging infrastructure that enables the exchange of data, including half hourly readings. The DIP will play an essential industry role in managing the vast increase in the volume of data that we will be required to process, once MHHS is implemented.

Half-hourly meter data brings significant value in accelerating the transition to a smarter, more flexible electricity system. In line with Elexon's open data principles, we will be working to ensure that, once MHHS is implemented, Meter Point Administration Number (MPAN) specific half-hourly data that we process will be available in compliance with consumer privacy standards. This commitment ensures that the data can be used to support new flexibility business models, and help organisations within the energy sector to operate more efficiently.

"Half-hourly meter data brings significant value in accelerating the transition to a smarter, more flexible electricity system."

**Preparing for code reform and licensed code management**

Energy Code Reform has been a longstanding initiative led by Government and Ofgem. In January 2024, Ofgem announced the next steps for reforms to the energy code arrangements. Ofgem has proposed that the BSC, the Retail Energy Code (REC) and the Smart Energy Code should each remain as standalone codes.

The transitioning of the BSC and the REC to the licensed code manager regime will be prioritised in phase one of the new arrangements. Overall, the proposals help to provide the clarity and direction needed for finalising the reforms. More detail on our views is in this article on our website. We welcome the early opportunity to work with Ofgem to shape the new regime.

Ofgem expects that by the end of 2025, the legislation and licence conditions to support the reforms will be in place. Where possible, we will start to align our ways of working towards Ofgem's definition of a code manager before the reforms are live.

**Peter Stanley**
Chief Executive Officer

**Elexon ownership**
In accordance with the Energy Act 2023, the Future System Operator (FSO) will be established in 2024. Elexon will move away from the ownership of National Grid ESO and in future will operate under a 'federated model' ownership arrangement.

Ofgem will introduce licence conditions to enable the 13 largest BSC Parties (those with a greater than two percent funding share in Elexon as of 1 January 2023) each to take a share in Elexon. We are working closely with DESNZ and Ofgem to do this, and set up the associated changes needed for the BSC well in advance of the go live date. The transition in ownership will conclude during summer 2024.

**Our budget for 2024/25**
Elexon's Board has approved a budget of £119.0m for 2024/25. This has increased by £3.1m compared with £115.9m which was proposed in the draft plan published for consultation in December 2023.

The budget covers all Elexon activity including that for the Kinnect Programme, Helix Programme and MHHS Programme. The increase of £3.1m for 2024/25 compared with the budget that we initially proposed is due to the need to strengthen testing for both the end-to-end Half Hourly Settlement process and migration readiness, within the Helix Programme.

Compared to 2023/24, the increases in our budget are predominantly driven by the re-plan for the MHHS Programme, proposed by industry and approved by Ofgem. This impacts on costs for our Helix Programme and the MHHS Programme Implementation Manager role.

We continue to strive to keep costs down in support of BSC Parties. In real money terms, after taking into account indexation and inflation, our costs for regular activities are stable. They have only increased by £0.5m (1.2%) compared to the 2023/24 original budget, for known additions to support new activities for the DIP and Elexon Support.

The budget summary table on the next page provides the key information for our 2024/25 budget, and the waterfall diagram below it illustrates the drivers for the changes from our 2023/24 budget. The full detail on our 2024/25 budget is available in the budget section of the document. The Amended 2023/24 Budget referred to in the Table was sent out to Parties with an invitation to comment on 17 November 2023, with a deadline of 30 November 2023 for responses. Having considered those responses, Elexon's Board approved the amended 2023/24 budget on 6 December 2023.

**Feedback on the business plan**
Our thanks go to companies that provided feedback on the business plan. Your views were considered and taken into account when the Board made its final decision on the plan, at its March 2024 meeting.

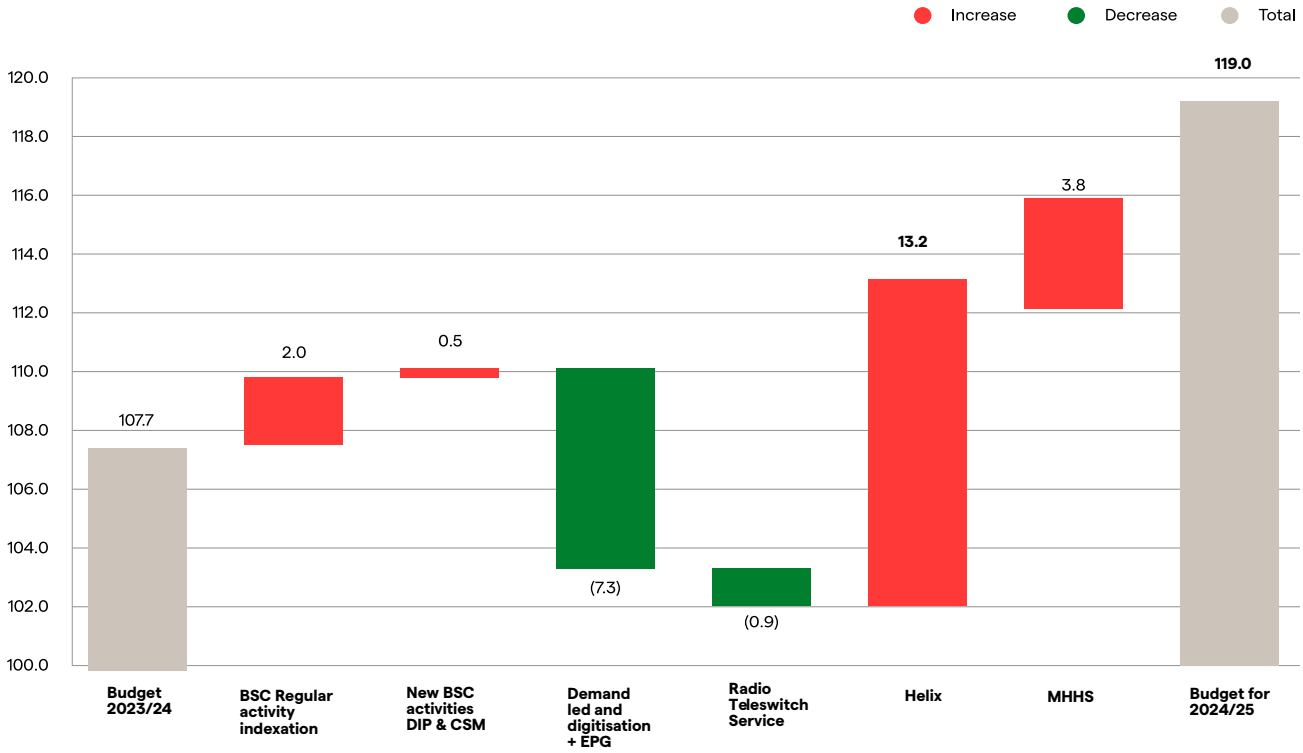
**Sara Vaughan**
Chair of Elexon Ltd and the BSC Panel

**Peter Stanley**
Chief Executive Officer

**The table below itemises the key aspects of our budget for 2024/25 compared with 2023/24**

| Item | Year to March 2023/24 Original Budget £m | Year to March 2023/24 Amended Budget £m | Year to March 2024/25 Budget £m | 2024/25 Budget vs 2023/24 Original Budget £m | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget £m | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection £m | 2024/25 Budget vs Published Projection £m | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget £m | Year to March 2026/27 Budget £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Elexon BAU Operational incl EMR Income | 22.1 | 20.6 | 23.5 | (1.4) | (6.3) | (3.0) | (14.6) | 21.8 | (1.7) | (8.0) | 24.6 | 25.3 |
| Contracted | 21.2 | 21.0 | 22.3 | (1.1) | (5.2) | (1.3) | (6.2) | 21.6 | (0.7) | (3.1) | 23.2 | 25.8 |
| **Total BSC Regular Activity** | **43.3** | **41.6** | **45.8** | **(2.5)** | **(5.8)** | **(4.2)** | **(10.1)** | **43.4** | **(2.4)** | **(5.6)** | **47.8** | **51.1** |
| Teleswitch (pass through from DNOs) | 4.9 | 5.0 | 4.0 | 0.9 | 18.4 | 1.0 | 20.5 | - | (4.0) | - | 3.0 | - |
| EPG | 0.2 | 0.2 | 0.1 | 0.1 | - | 0.0 | 31.9 | 0.2 | 0.1 | | - | - |
| Demand Led and Digitalisation | 21.7 | 17.6 | 14.5 | 7.2 | 33.4 | 3.2 | 18.1 | 12.5 | (2.0) | (15.6) | 10.1 | 8.9 |
| **Total excl. MHHS & Helix** | **70.1** | **64.4** | **64.4** | **5.7** | **8.2** | **0.0** | **0.0** | **56.1** | **(8.3)** | **(14.7)** | **60.9** | **60.0** |
| Helix | 17.8 | 25.0 | 31.0 | (13.2) | (74.2) | (6.0) | (11.6) | 6.8 | (24.2) | (355.9) | 11.6 | 0.1 |
| MHHS | 19.8 | 22.0 | 23.6 | (3.8) | (19.1) | (1.6) | (7.1) | 17.4 | (6.2) | (35.5) | 16.1 | 10.6 |
| **Total Elexon** | **107.7** | **111.4** | **119.0** | **(11.3)** | **(10.5)** | **(7.5)** | **(4.0)** | **80.3** | **(38.7)** | **(48.1)** | **88.6** | **70.7** |

**The waterfall graph below illustrates the drivers for the changes from our 2023/24 budget**



# THE BUSINESS PLAN

**Our business plan is divided into activities under five themes corresponding with Elexon's proposed 2023 to 2025 strategy.**

**01**
Delivering service excellence and customer value

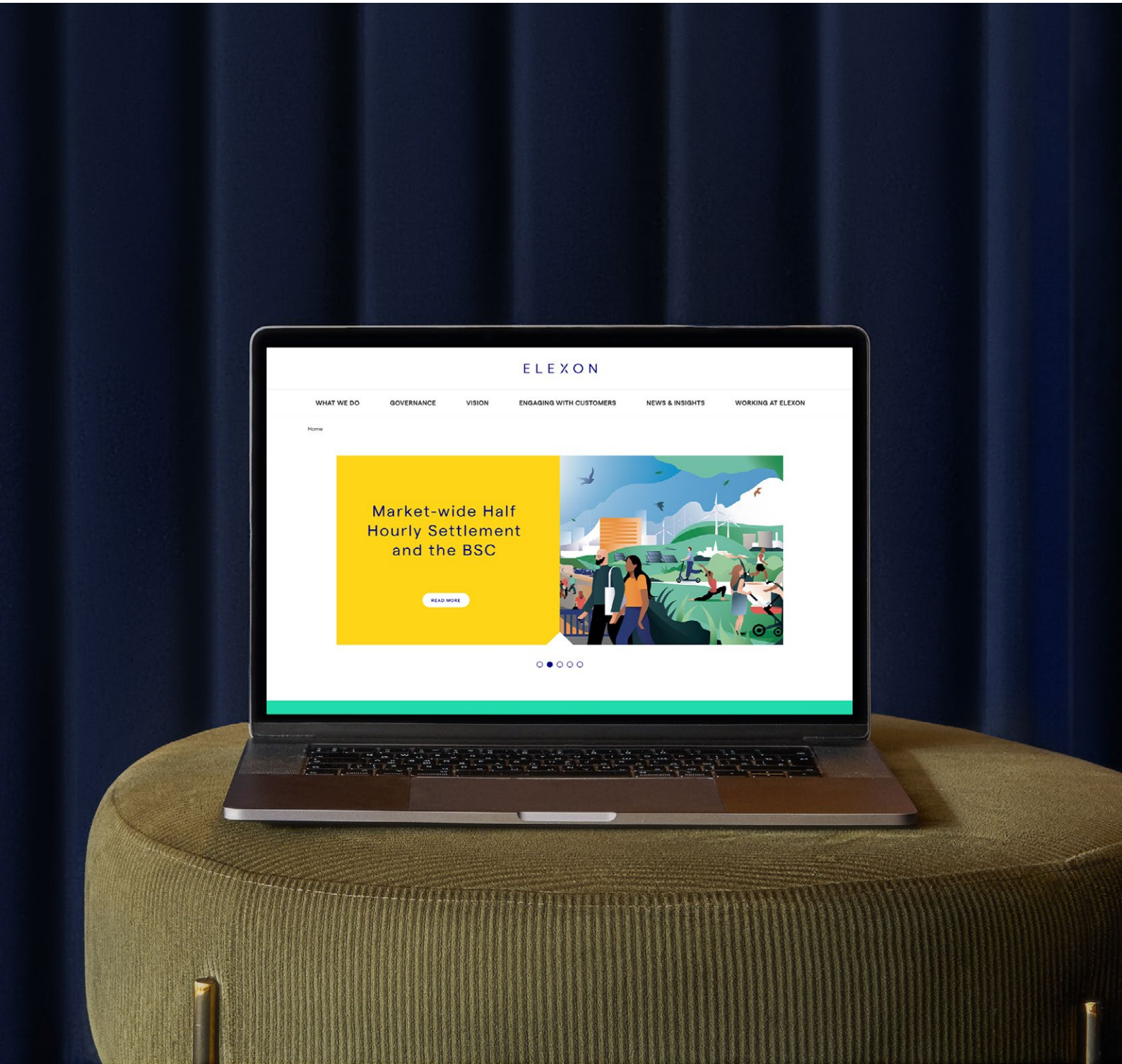
**02**
Delivering strategic programmes

**03**
Transforming code management

**04**
Strengthening industry engagement to drive more value in what we deliver

**05**
Developing our people

# 01
# Delivering service excellence and customer value



## Maintaining high performance in the delivery of our services to BSC Parties is an essential part of our work.

**This section of the business plan specifically focusses on five aspects of our work:**

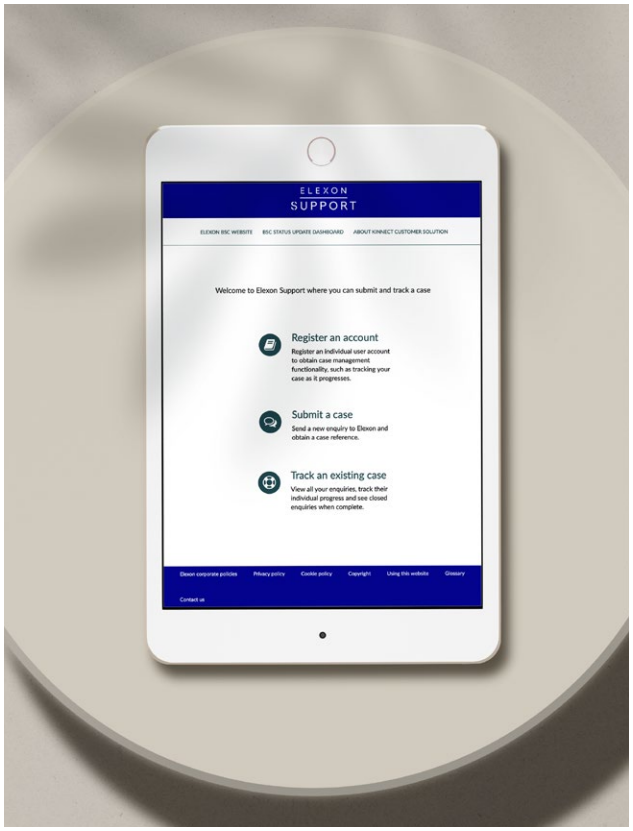
- Our work to deliver Elexon Support, our new CSM and IT Service Management platform supporting current and future BSC Parties
- Key Modifications for 2024/5
- Our ongoing work on the BSC Credit Cover arrangements
- Work priorities for our subsidiary EMR Settlement Ltd (EMRS)

# Our work to deliver Elexon Support, our new customer service management and IT service management platform

We have acted on feedback from BSC Parties to develop Elexon Support. It is transforming how Elexon interacts with customers and manages service provision by making it easier to connect our customers with the expertise of Elexon colleagues.

The first phase of Elexon Support is the customer service management platform which went live in January 2024. It has elevated the way we manage customer service and made our support for customers more seamless.

The platform is providing end-to-end case management and allowing greater visibility of their open queries with Elexon. Working with our chosen provider, Service Now, the service is designed to be intuitive, ensuring quicker resolution by Elexon's experts of issues our customers face.




In the second phase, scheduled for the second quarter of 2024, we will broaden the capability of the platform to service management, so that we can identify the root causes of service issues more quickly and work to resolve them. This will align us with industry best practice, making Elexon more effective in providing service support and acting as a service integrator. As a service integrator, we will coordinate and integrate various services to deliver end-to-end solutions, ensuring a seamless experience for our customers when accessing their cases and requesting information. The second phase will also enable our new service management approach to support Helix and MHHS. This upgrade will also improve our ability to manage service providers and maintain the smooth operation of our IT services.

In late 2024, we will enhance the platform capabilities using integrations with other IT Service Management Platforms. Our plan is that our technology providers will be able to link their systems to our new platform, so that any of our suppliers that are investigating an incident can do so more efficiently. We will also look to deliver self-help tools for BSC Parties, including a chat function and mobile capabilities, for both internal teams and our customers.

## Supporting current and future BSC Parties

**Our Participant Management service is focussed on:**

- Helping new companies enter the market
- Supporting companies that are already active in the market
- Helping companies to register new assets quickly and easily.

**During 2024/25 our priority work areas include:**

- Completing work to decommission the legacy Central Registration Agent (CRA) function in August 2024, as the CRA service will be delivered by the Elexon Kinnect Customer Solution (more detail on this is available in the Kinnect section of the plan)
- Designing the Customer Solution interface that market participants will use to benefit from the P415 'Facilitating access to wholesale markets for flexibility dispatched by VLPs' reforms, which will be implemented in November 2024. (More detail is in the Rules Management section of the plan).

# Key Modifications for 2024/25

**This section covers key Modifications that we are working on, or implementing, during 2024/25, set out thematically. Our change register contains complete information on all BSC changes, or issues that are being progressed.**

**Changes that support Net Zero**

We will implement P415 in November 2024. It is a significant breakthrough towards a smarter, more flexible system as it allows VLPs to trade flexibility offers in the wholesale market. Currently, VLPs can only offer services in the Balancing Market. P415 follows other reforms that we have implemented to help DSR providers to compete in providing balancing services. In December 2019, P344 'Wider Access & Project TERRE' opened up the Balancing Mechanism (BM) so that independent aggregators can offer their services. This helps to make the electricity system more efficient and allows for greater competition in provision of these services. In June 2022, we implemented P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point' which essentially allows data from meters fitted at smaller assets such as storage, and renewable generators to be used in Settlement. This makes it much easier to understand the capability of these assets to help with balancing the system.

Alongside P415, we are progressing P444 'Compensation for Virtual Lead Party actions in the BM', which will introduce an associated compensation method for any volumes in the BM that are adjusted by VLPs. Ofgem sent back this proposal for further evaluation and development. We are finalising the outputs of further analysis. This will then be presented to the Workgroup, Ofgem and the BSC Panel ahead of returning the final Modification report to Ofgem.

We continue to develop P441 'Creation of Complex Site Classes'. Complex Sites are locations where generation, including small scale renewables, is located alongside assets that provide DSR, including storage. This change would define particular 'classes' of Complex Sites based on clearly defined criteria. Doing so would provide clarity of the rules and guidance on what is permissible and achievable using the Complex Site arrangements. This change is important as activity on Complex Sites plays a part in smarter use of the electricity system. P441 progress is being re-planned following a request from Ofgem to consider whether the proposal will introduce an embedded benefit, for example on Balancing Services Use of System charging. The Workgroup is considering how best to conduct this analysis.

We will also progress Issue 109 'Treatment of domestic solar self-consumption within Settlement'. The current Boundary Point Settlement metering system measures electricity import and export on an instantaneous basis. This could result in homes with microgeneration being overcharged for momentary generation and consumption imbalances. If BSC changes are implemented to resolve this it could prevent a more widespread problem when more households export electricity to the grid, for example, if they have electric vehicles.

# Key Modifications for 2024/25

(Continued)

**Modifications that improve outcomes for consumers**

We are working on the following Modifications:

- P442 'Reporting chargeable volumes for exempt and licensed supply'. There is currently no process in the BSC for the allocation of Supplier volumes to EMRS, where a portion should be from exempt supply and another portion should be from licensed supply. P442 proposes that a new third-party agent service be created to calculate licensed and exempt supply, and submit them to BSC Systems. The main benefit of this proposal is to allow exempt supply to be treated correctly in terms of EMR levies. However, alternative solutions have been put forward which would also encourage renewable generation and more efficient peer-to-peer trading. The Panel recommended to Ofgem in February 2024 that the P442 alternative proposal is approved.

- P455 'On-Site Aggregation as a method to facilitate Third Party Access'. The proposal would establish a more cost effective and efficient method for delivering Third Party Access to private networks including households and small businesses. It would do this by enabling aggregated meter data from sub meters on private networks to be submitted into Settlement in lieu of data from Settlement meters installed at the Boundary Point. The benefits from this change include making it easier for customers on private networks to switch supplier. The Panel is expected to make a recommendation to Ofgem on this in May 2024.

- P459 'Allowing different Supplier Agents to be appointed to Import and Export MSIDs'. P459 would allow Suppliers to appoint different Supplier Agents for Import and Export Metering System Identifiers (MSIDs) where Data Communications Company (DCC) adopted smart meters are installed. Being able to appoint different Supplier Agents removes barriers preventing the use of Export MSIDs for small-scale microgeneration. The benefits include reduced costs for Suppliers which allows them to offer higher prices to customers for export electricity.

**MHHS**

Two Modifications will be supporting the transition to MHHS:

- P432 'Half Hourly Settlement for Current Transformer (CT) Advanced Metering Systems', will require all CT Advanced Meters to settle half hourly (HH) in advance of the MHHS migration. On 15 January 2024, the Authority approved P432 for implementation on 15 April 2024.

- P434 'Mandate to Half Hourly Settle the Non-Half Hourly Unmetered Supplies Metering Systems'. Although implemented in December 2022, the compliance deadline for this change is March 2025. We will continue our support to Parties that still need to migrate a total of more than 30,000 of these meters to HH settlement in advance of the MHHS migration. Our support also covers the data cleansing activity that affected companies need to complete to be compliant with the change. See our webpage for information on our support for companies to implement the change.

In December 2023, the MHHS Programme implemented a programme change freeze. This means that any BSC Changes that require changes to the MHHS design or MHHS code drafting (via a MHHS Change Request) may have their implementation postponed.

"We will implement P415 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties (VLPs)' in November 2024. It is a significant breakthrough towards a smarter, more flexible system as it allows VLPs to trade flexibility offers in the wholesale market."

# Key Modifications for 2024/25

(Continued)

**Security of Supply**

We continue to support BSC changes which improve security of supply. This includes P451 'Updating BSC Black Start provisions and compensation arrangements'. National Grid Electricity System Operator (NGESO) needs to meet the Government's new Electricity System Restoration Standard by 31 December 2026. To meet the standard, NGESO needs to identify distributed generators that can provide system restoration services if required. Large power stations are already BSC Parties and so are eligible for payments for recovery services, but smaller, distribution-connected generators are not. P451 would allow such generators (that may or may not be BSC Parties) to claim payments. In December 2023, the Panel recommended approval of P451. If approved, the change would be implemented in five working days and we will need to work with these potential providers to ensure they are paid appropriately.

**Bid Prices in the Balancing Mechanism**

We are also working with the industry to develop Modification P462 'The removal of subsidies from Bid Prices in the Balancing Mechanism' which was proposed by National Grid ESO in October 2023. Essentially this change proposes to remove amounts associated with low carbon subsidy mechanisms such as Contracts for Difference (CfDs) and the Renewables Obligation (RO) from bid prices that companies submit in the BM. We have convened an industry workgroup to consider the change, and the proposal is now going through the assessment phase.

# Ongoing work on the BSC Credit Cover arrangements

Credit cover is collateral lodged by Parties to cover outstanding payments required to settle imbalances. It acts as a security deposit reducing the risk that other Parties face if a BSC Party could not pay its imbalance charges.

During 2023 we reviewed the credit cover arrangements with industry, through Issue Group 106. A significant number of Suppliers had exited the market in 2022, which tested the current credit arrangements. We recognised that some industry parties were concerned about the amount of failed Supplier debt that had to be recovered through the mutualisation procedures.

Through the Issue 106 process, industry representatives agreed that the Credit Assessment Price and Credit Cover arrangements remain a suitable balance between managing the various risks and costs. However, the Issue Group did identify some opportunities for improvements in the arrangements which will now be addressed through Modifications. The Issue Group also identified opportunities to improve the accuracy of the estimation procedures within the credit cover calculation, which could be introduced after MHHS has gone live in December 2026.

# Work priorities for our subsidiary EMR Settlement Ltd (EMRS)

Elexon's subsidiary, EMR Settlement Ltd (EMRS), is the Settlement Services Provider to the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company (ESC).

The LCCC was designated as the revenue collection counterparty for the Regulated Asset Base (RAB) approach to financing new nuclear plant as set out in RAB regulations which came into force in March 2023. Elexon's vires have been extended under the BSC so that EMRS can carry out preparatory work for supporting the nuclear RAB approach. Government would need to formally consent to new nuclear plant being built before the RAB approach is enacted.

The Secretary of State directed a change to the BSC on 22 February 2024, so that from 29 February 2024, EMRS can perform the new Nuclear RAB Settlement Services Provider role.

EMRS is currently working on new system functionality to support a transfer of responsibilities from the ESO EMR Delivery Body in respect of the collection and maintenance of Capacity Market aggregation rule metering information. This is a key dataset required for settlement. This transfer of responsibilities will reduce risk across the Capacity Market scheme and allow for increased settlement accuracy, benefiting all Capacity Market stakeholders. ●

"Elexon's vires have been extended under the BSC so that EMRS can carry out preparatory work for supporting the nuclear RAB approach."

# 02
# Delivering strategic programmes

# Completion of Elexon Kinnect

Elexon Kinnect is our cloud platform, which gives us the flexibility and scalability we need to support innovation and major changes, to meet the demands of the energy transition.

Through Kinnect, we are migrating all Elexon's BSC operational services from market entry, to Settlement payments and provision of wholesale market data to the cloud. By using cloud technology, we can rapidly change or expand our services as and when required to meet customers' needs as the market becomes more distributed and decentralised.

Assurance for the Kinnect and Helix Programmes is provided by the Transformation Committee (a sub-committee of the Elexon Board), which has support from independent assurance.

Following go live of the new Settlement Administration Agent (SAA) service on Kinnect and delivery of the final iteration of the Kinnect Insights Solution data service, we are now in the final stages of completing the Kinnect roll out. By October 2024 we will have decommissioned our legacy data centre.

The graphics on the following two pages explain:

- The next steps for the three Kinnect solutions that we have delivered
- Our development of a new Funds Administration Agent service
- The migration of remaining BSC agent services to the Kinnect cloud environment.

# Roadmap for completing Kinnect

**The Customer Solution**

- An online gateway that new BSC Parties use to self-manage their entry into the electricity market
- Once active in the market companies can use it to self-manage their data and assets

**Benefits**

- Replacing form filling with quicker and simpler online process for interacting with Elexon and the BSC
- Improvements in data quality relating to assets and Parties' standing data
- New functionality added to the Customer Solution simplifies delivery of BSC Modifications and other changes

**Next steps**

- Decommissioning the legacy Central Registration Agent (CRA) in August 2024 as the CRA service will be delivered by the Elexon Kinnect Customer Solution
- The CRA registers, validates and maintains a record of metering systems in GB which is required for Central Volume Allocation (CVA) Settlement
- Delivering the CRA through Kinnect allows customers to have more visibility and quicker self-management of their data

**Settlement Solution**

Performs the core Settlement calculations including the system prices and daily trading charges for BSC Parties

**Benefits**

- Quicker completion of complex Settlement calculations
- Quicker implementation of BSC and regulatory changes and more configurable to support innovation
- Flexibility and scalability to support development of new services, and moving to shorter Settlement Periods (less than 30 minutes) if needed

**Next steps**

- From summer 2024 we will look to provide direct access to Settlement Solution data via the Insights
- This will enable customers to consume the data without the need for processing large legacy file formats
- We are also working to introduce APIs for accessing this data

**Insights Solution**

- New wholesale market data service which will replace the legacy Balancing Mechanism Reporting Service (BMRS) from April 2024
- It offers a more visual, granular and customisable data service

**Benefits**

- Much improved data visualisation compared with BMRS, backed with best in class API design
- Users can 'self-serve' data requests more easily
- Better system performance with fewer unplanned outages compared with BMRS

**Next steps**

- Decommissioning the High Grade line and TIBCO service in late spring 2024
- Final switch off of BMRS in late spring 2024
- Introducing greater transparency on asset data by capturing information on the fuel type and location of each BM Unit
- Continued engagement with the Data and Reporting User Group to consider improvements that would be of most value
- Extraction of data from our Settlement reports like SAA I014, so that it's more easily accessible through APIs

# New Funds Administration Agent

**New Funds Administration Agent (FAA)**
We are developing a new FAA system which will modernise banking processes for the transfer of Settlement funds between Elexon and Parties

**Benefits**
- Better customer experience through user-friendly backing sheets (similar to an itemised bill) and invoices
- A scalable solution that can meet future customer needs
- Customers will be able to access both backing sheet, invoices and query historic data through self-service
- Increased efficiency and reduced risk of error in the billing process

**Next steps**
We aim to implement the new FAA in summer/autumn 2024

# BSC Agents to be migrated to the Kinnect cloud

**Central Data Collection Agent (CDCA)**
The CDCA collects and validates all data from meters that are part of the Central Volume Allocation. This is essential for Settlement

**The Energy Contract Volume Aggregation Agent (ECVAA)**
ECVAA receives details of trades between Parties and validates the data for Settlement. It also performs a credit check for each party immediately after 'gate closure'

**Benefits**
Much improved ability for Elexon to develop changes to the BSC more quickly and test them automatically, which will speed up overall delivery of rule changes

**Next steps**
Migration of ECVAA and CDCA to be completed in September 2024

# The Helix Programme

Elexon currently manages more than one million meter readings daily, and this will increase to more than 32 million daily in 2026 once MHHS is implemented. We are developing four new services through our Helix Programme so that Elexon is equipped to receive, process and publish half-hourly data at the scale required. These services are being built onto the Kinnect platform, taking advantage of scalability and flexibility of the cloud technology.

**Helix Programme activities for 2024/25**
The Helix services entered the SIT phase of the MHHS Programme in March 2024.

The SIT will ensure that the new MHHS arrangements function correctly and have been implemented according to the MHHS end-to-end design. Through the SIT, the main MHHS architecture systems are brought together and basic messaging testing is carried out, including the routing of messages through the DIP.

**MHHS qualification work**
Around 200 individual market participants are involved in the MHHS Programme and over the coming year Elexon will support them through the qualification process, so that they can participate in MHHS.

Since October 2023, the Helix team has been working with Elexon's Assurance and Participant Management teams to provide tailored support through to MHHS implementation in 2026. This is to help individual participant groups through qualification and the beginning of the phased migration to MHHS.

The activity involves the Elexon teams working closely with the MHHS Programme and specific MHHS Programme groups which support qualification, testing and migration. The qualification process will be managed by Elexon and the REC Code Manager to confirm that participants are ready to operate in the MHHS market. Essentially the qualification work ensures that participants are able and ready to deliver the industry processes and standards.

## The four new Helix services

**The Load Shaping Service (LSS)**
which calculates 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. The LSS will eventually replace the legacy BSC Profile Administrator service which profiles consumption from traditional meters.


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



**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. It will also calculate and apply Distribution Line Loss values to the data, enabling it to provide data for BSC Assurance purposes.

**Industry Standing Data (ISD)**
An enhanced version of our Market Domain Data and Line Loss Factor services, but with fewer manual processes to maintain it. This will save both time and resources for BSC Parties and Elexon colleagues.

# The Data Integration Platform (DIP)

**The role of the DIP**
As mentioned in the Overview, we are looking forward to playing a bigger role in providing energy data to the market.

An essential step is for Elexon to take on operation of the DIP in March 2025. The DIP is a next-generation messaging system which Market Participants will use for submitting HH data to Elexon for Settlement. It will provide the resilience, availability and scalability required to enable market participants to move to HH Settlement.

The DIP will replace the majority of message flows from the existing Data Transfer Network (DTN). The DTN is a file transfer service that market participants currently use to share data for Settlement, change of Supplier, metering and other functions.

**Governance of the DIP**
The governance framework for the DIP is a supplement to the BSC. The BSC, the REC and the Distribution Connection and Use of System Agreement (DCUSA) are the codes that will immediately be involved, but others may also be involved at a later stage. The governance structures we are creating for the DIP Manager will allow changes to the service to be completed at pace.

We will have set up the DIP Manager role by late 2024, to be ready to operate in March 2025, and have developed the legal text to enable the DIP Manager governance.

**Decision making process for the DIP**
The DIP Manager governance model will be structured around what we expect the Code Manager model to be under Ofgem's plans for licensed code managers. The DIP Manager will also have strong lines of accountability to Ofgem.

The majority of decisions relating to DIP management will be taken by the DIP Manager. However, we are setting up the DIP Change and Advisory Board (DCAB) to make decisions on changes that have a material impact. They include, for example, a change that alters obligations of DIP users. The DCAB will include representatives from all types of DIP users. It will also act as the arbitrator in any case where someone disagrees with a decision made by the DIP Manager (as well as being a 'critical-friend' in advising the DIP Manager).

We anticipate that the change process for the DIP will be faster than the current BSC change process. This is because the involvement of the DCAB in the decision making process will be by exception, meaning that decisions could be made within a few weeks of a proposal being made. To ensure integrity and transparency all decisions will be published and there will be a right to appeal any decisions to the DCAB.

# Digitalisation Strategy and Action Plan (DSAP)

**Although we have updated industry fully during our work to digitalise BSC systems and process through the implementation of Kinnect, we have yet to share our overall digitalisation strategy. During 2024/25 we will develop and publish a DSAP.**

This builds on a requirement by Ofgem that all network companies develop and share their own DSAPs. The purpose of these strategies is for companies to share their understanding of stakeholders' data needs and the services they can provide to meet those needs. In its Digitalisation Strategy and Action Plan Guidance published in August 2023 Ofgem indicated that it saw industry codes as the logical next step for the expansion of Data Best Practice Guidance within the energy system and so Elexon is effectively preparing itself for this expected step. In its open letter regarding data best practice and its future in codes from March 2024, Ofgem states that this guidance should apply to code administrators.

HH consumption data has great potential to transform the energy system and markets. It should facilitate innovation and help development of new products and services which are needed to reach Net Zero.

In line with our open data principles, we will be working to ensure that, once MHHS is implemented, MPAN specific HH data that we process will be made available, so long as it conforms with consumer privacy standards. Our plan is to make this HH data accessible via the Kinnect Insights Solution in line with the phased MHHS implementation timelines. In November 2023, Ofgem issued a Call For Input on data sharing, the outcome of which will be a trust framework for consumer smart meter data sharing. We will need to understand the outcome of this work before we can develop our plans for HH data sharing, and set out any costs associated with this.

Our DSAP will follow the seven principles of Ofgem's guidance.

**We will refer to a number of ongoing or proposed initiatives in our DSAP, including:**

- Implementation of our Kinnect platform and how we propose to further evolve the platform
- Implementation of the DIP, both in its support of the MHHS Programme and its potential future benefits and uses
- How we propose to share HH data with the sector to support wider Net Zero objectives
- How strong data governance, in line with Ofgem's views on data standards, metadata and data catalogues, will be vital if wide data sharing and interoperability are to be achieved
- How we plan to leverage and support opportunities such as data sharing infrastructure for the energy system, distributed flexibility and the development of the future energy code landscape.

"Half hourly consumption data has great potential to transform the energy system and markets. It should facilitate innovation and help development of new products and services which are needed to reach Net Zero. "

# The MHHS Programme

The MHHS Programme will contribute to a smarter, more cost-effective, enduring electricity system, encouraging more flexible use of energy and helping consumers to lower their bills. It is also an enabler for energy independence and Net Zero, by supporting greater availability and use of DSR, electricity vehicle to grid charging, and peer to peer trading.

BSC Parties will benefit from MHHS through more accurate, efficient and faster electricity Settlement, reducing Settlement timescales from 14 months to four months, thereby reducing cash flow and bad debt risk.

**MHHS Programme status**
Following an extensive industry consultation, the MHHS Programme Steering Group (PSG) approved the MHHS Programme Re-plan in June 2023. This followed Ofgem's own approval of the re-plan and three rounds of industry consultation. The PSG agreed that version 5.0 of the MHHS Programme Plan be adopted as the baseline. A Baselined MHHS Implementation Timeline, articulating the delivery stages of the Programme, was published on the MHHS website.

The outcome of this re-plan activity put the Programme on a secure and industry-supported footing, ensuring higher confidence in delivery amongst our stakeholder community, and that undue risks were removed from the plan to safeguard its success.

Ofgem has approved a revised date of December 2026 for the cutover to half hourly Settlement across the whole market. Following the baseline of the MHHS Design, programme participants have started their design, build and pre-integration testing activity. Core central parties including Elexon, and some participants (which includes a number of Suppliers) are taking part in the SIT phase.

The robust nature of the MHHS plan and the collaborative nature of the SIT implementation groups resulted in the Programme successfully beginning the SIT at the end of October 2023. The various testing phases run until March 2025, after which the central systems will be ready for migrating MPANs. This is effectively the MHHS 'go live' date, where all systems and associated business processes, as well as code changes, must be ready to receive migrating MPANs to the new arrangements.

Programme participants that are not taking part in SIT will be required to complete qualification testing ahead of the migration phase. Migration is a key watershed for the programme as our industry ways of working will 'dual run' and be transitioning from this point onwards, until the end of migration and the cutover to the new Settlement arrangements.

The priority focus for the next phase of the Programme, and the next year, is around testing, qualification and business readiness activities to ensure that programme participants are ready to start migration of MPANs from April 2025.

**Priorities for 2024/25 include:**
- Completion of all SIT phases: October 2023 to March 2025
- Successful 'Go Live' of Core Central Party systems: March 2025
- Migration approach and planning
- Assurance of participant readiness for Qualification.

"The outcome of this re-plan activity put the Programme on a secure and industry-supported footing, ensuring higher confidence in delivery amongst our stakeholder community, and that undue risks were removed from the plan to safeguard its success."

# 03
# Transforming code management

**The energy sector is undergoing a period of major change and, as a key player within the industry, Elexon must evolve to keep pace with such changes.**

Through the 'Transforming code management' element of our corporate strategy, we are exploring ways in which we can adapt our current processes and technologies to streamline and enhance our services. This work involves testing new technology and innovation to determine if the use of it can benefit Parties by speeding up processes, or making them more efficient. We would only deploy new approaches if they were cost effective and clearly demonstrated value for money.

**Pre-approved BSC changes**

In some areas, the way we operate can be simplified, while still maintaining the right balance between industry oversight and Panel and/or BSC Committee involvement. We are progressing Modification P463 'Introduce a Standard Change Process' which will enable some changes to be pre-approved, allowing for quicker implementation. The Panel will make a recommendation to Ofgem on this change in summer 2024. In 2024/25 we will continue to identify opportunities within our governance processes where we can make changes that our customers will see the benefit from quickly.

**Using Artificial Intelligence and Large Language Models on the digital code**

In 2023/24 we began to develop a revised vision and roadmap for the Digital Code, and this work will continue in 2024/25. We have developed a customisable version of the BSC to replace the legacy PDF documents and are conducting proof of concept work to explore how AI can be applied to the Digital BSC (called the Digital Code) foundations already in place.

We have done some early testing on whether the Digital Code can be developed to answer queries and help explain the BSC arrangements accurately. Early results show significant scope for AI realising a reduction in repetitive and simple queries being directed to the Elexon service desk and subject matter experts. Automated generation could be used to replace and continually review our simple guides and guidance notes.

We are looking at the use of Large Language Models (LLMs) which are a form of deep learning (a subset of machine learning) trained on large datasets. Once they have ingested the dataset, LLMs can recognise, translate, predict and generate text or other content. We would like to explore if they can help maintain our Simple BSC Guides and Guidance Notes, and we are discussing the potential digitalisation of our data interface catalogues. Although these changes are only in an exploratory stage, they are indicative of the level of enhancement we want to make to the Digital Code. We will also check whether our AI prototypes can ingest Elexon's comprehensive documentation and knowledge base, and then identify which areas of the BSC would be impacted by a Change.

Our research so far has shown promising results, and in 2024/25 we will continue to explore the ways in which AI could support Elexon, focusing on areas such as evaluating historic project data, the software development cycle, drafting changes to legal text and the enhancement of knowledge management through better search capabilities.

**Timeline for completing our assessments**

We are intending to share the outputs of our early proofs of concept with Parties throughout 2024/25. We intend to do this in an agile way so that we can show Parties the results of these trials quickly, and give them an opportunity to feedback views for our assessment of the benefits to customers.

# 04
# Strengthening industry engagement to drive more value in what we deliver

**Elexon plays a central role in managing wholesale market arrangements that support the transition to Net Zero. Effective stakeholder engagement is an essential enabler for this, and supports our drive to provide more value in what we deliver.**

Our stakeholder engagement work during 2024/25 centres on working with the energy sector, Government and Ofgem to support delivering improvements to our services for BSC Parties, and energy policy development.

**Supporting the Review of Electricity Market Arrangements (REMA)**
We will continue to support the Government's Review of Electricity Market Arrangements by providing our input and expertise. We will be focusing on where arrangements could be improved, and our input will be based on our experience in operating the full range of our services:

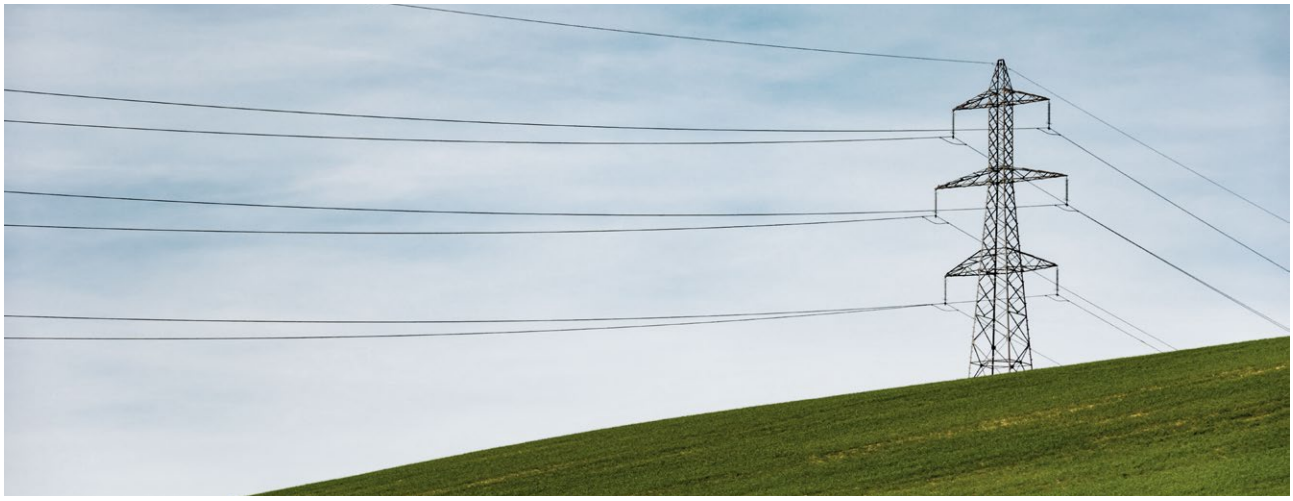
- Operation and management of the BSC arrangements
- Delivering services to LCCC through EMRS
- Operating the Capacity Market Advisory Group (CMAG) arrangements
- Devising the new governance regime for the DIP (as explained earlier in the plan).

**Supporting Ofgem's development of reforms to encourage demand flexibility**
To deliver the transition to a smarter system in GB, and ensure that progress does not stall, more needs to be done to encourage greater flexibility. Ofgem is currently taking steps toward this, with a new Market Facilitator role and flexibility exchange which would coordinate flexibility markets. Elexon is working closely with Ofgem to assist in the development of the proposals, using our unique experience as an integrated code manager of wholesale market arrangements.

Ofgem is due to make announcement in spring 2024 on whether Elexon, the new Future System Operator - known as the National Energy System Operator (NESO) - should take on the Market Facilitator role. We believe that we have the credentials to take on the role given our extensive experience in wholesale electricity market arrangements. We are also widely recognised for our market design expertise and the inclusive, collaborative and transparent approach we take when working with the industry on BSC changes.

Our response to Ofgem's consultation on the market facilitator delivery body is on our website, and we thank the organisations we met during the consultation phase to discuss their views on flexibility markets.

We will also continue to work with the industry on development and implementation of BSC changes, which help flexibility providers to compete in providing balancing services, whether in the wholesale markets or in the BM.



# 05
# Developing our people

## We recognise the importance of a strong culture and attractive Employee Value Proposition (EVP) to enable us to continue to attract, satisfy and retain our people.

We are proud of the extensive industry knowledge and expertise within Elexon. It is paramount that we acknowledge the need to nurture and develop our colleagues and their teams to enable us to successfully meet and adapt to future challenges as the energy sector's landscape evolves with the transition to Net Zero.

**Re-defined People Strategy**
Over the past three years, we have refined our People Strategy to go beyond our aim of Elexon being a great place to work, and to prioritise our people engagement. At the heart of the People Strategy is the cultivation of a performance culture and the development of leadership aptitude. We have enhanced our emphasis on Equality, Diversity and Inclusion (EDI) and as a result we now have a more inclusive and diverse culture at Elexon.

**Stronger performance culture**
Our 2023/24 business plan detailed our plans to work on delivering a stronger performance culture that empowered and incentivised our people to 'think beyond' and really work at pace. In 2024/25 we will continue to focus on this through a series of initiatives aimed at broadening colleagues' competencies. Notably, our leadership development programme will nurture and support both new and existing managers, equipping them with the tools to champion and lead in a performance culture.

Each colleague at Elexon has a personal development plan in place with their line manager. During 2023, we began our 'Aspire' programme (to support high potential, talented colleagues) and we will continue this throughout the strategy period as a rolling programme of training.

Our leadership development programme will be offered to all line managers at Elexon, with modules covering a range of topics including resilience, accountability and how to inspire and challenge your team. By investing in our leaders, we invest in all our people, and this initiative will build on our internal capabilities and encourage our people to set ambitious goals and work to achieve them.

We want to play our part in encouraging and developing new talent. We have therefore created an apprenticeship scheme and are piloting this with two new colleagues recruited into the HR and IT teams. We will review the success and impact of the programme with a view to assessing whether this should be continued or expanded.

**Attracting top talent**
To ensure we remain an attractive choice for top talent, in 2024/25 we will continue to benchmark and rejuvenate our EVP. We aim to emphasise our competitive benefits and ensure that our EVP remains fully aligned with our corporate direction. We also anticipate cementing exciting career opportunities for current and future colleagues as our technology and operational platforms evolve. This is especially important as progress on the energy transition will increasingly depend on attracting people to work in the energy sector.

**Commitment to Equality, Diversity and Inclusion**
In 2024/25 Elexon will remain committed to EDI and continue to support related events, both internally and externally. We have become a more inclusive organisation through colleague-led Diversity Dialogue sessions, a well-represented EDI forum, awareness training for new starters and support for events such as National Inclusion Week.

**Our external facing commitments to EDI include:**

Renewing our membership of (and participation in) the Womens Utilities Network which develops, encourages and connects women in utilities.

We also maintained our adherence to the Government's Disability Confident employer scheme and the Mental Health at Work Commitment.

# BUDGET FOR 2024/25

# Overview

## This section of the business plan details the budgeted costs for 2024/25 in support of the planned deliverables, which were explained earlier.

The Elexon Board has approved a budget of £119.0m for 2024/25. This has increased by £3.1m compared with £115.9m which was proposed in the draft plan published for consultation December 2023. The budget covers all Elexon activity including that for the Kinnect Programme, Helix Programme and MHHS Programme. The increase of £3.1m for 2024/25 compared with the budget initially proposed is due to the need to strengthen testing for both the end-to-end Half Hourly Settlement process and migration readiness, within the Helix Programme. The £119.0m budget for 2024/25 is an increase of £11.3m (10.5%) against the current year's budget of £107.7m. The £119.0m reflects the cost of the resources and third-party costs to carry out our work, as well as pass through costs for 2024/25. The increase in the 2024/25 budget compared with the 2023/24 budget is predominantly driven by the re-plan for the MHHS Programme, proposed by industry and approved by Ofgem. This impacts on costs for our Helix Programme and the MHHS Programme Implementation Manager role.

The re-plan will result in the start of migration of MPANs from April 2025, with the cutover to the new Settlement timetable being completed by December 2026. The re-plan has moved the completion of MHHS implementation from November 2025 to December 2026. We had previously anticipated that Helix Programme costs would reduce by 2024/25. However, we now require additional budget over the coming year as we assume that we will have to continue the re-working of previously developed code for the Helix services. This includes for example, any design changes that are needed during the MHHS SIT phase. For the MHHS Programme, the £3.8m increase for 2024/25 reflects a need to re-establish an appropriate level of contingency funding for the programme. Demand led and digitisation costs will decrease by £7.3m as Kinnect nears completion and there is a reduced level of demand led change as a result of the significant change associated with MHHS and Helix. Pass through Radio Teleswitch (RTS) costs will decrease by £0.9m resulting from decreased energy prices. Lastly, our BSC Regular activity costs have increased by £2.5m with £2.0m of this being attributable to cost indexation effects and the remaining £0.5m for known additions to support new activities for the DIP and CSM/ITSM systems.

Elexon is a not-for-profit entity, funded by electricity market participants. We do not carry any reserves or retained capital and any underspend against budget is always returned to BSC Parties, meaning that we return money if we make savings, or it transpires that it is not required.

In light of this financial structure, budgeting for uncertainties in advance of any new financial year with no other access to working capital, requires careful consideration. We need to address uncertainty, mindful of this constraint, while also endeavouring to set challenging financial and efficiency targets for the business, which ensure that we deliver the best possible value for money to the industry. In real money terms, after taking into account indexation and inflation, our current year controllable costs will only increase by £0.5m (1.2%) against the 2023/24 budget for specific additions for the new DIP and CSM/ITSM systems.

A large proportion of our cost base is fixed costs or costs driven by industry change. The key elements of our budget are:

**Regular Activity:**

- Our operating costs (to continue delivering our BSC obligations), the largest element of which is our people and associated overheads, and
- Our contracted expenditure for operating and maintaining outsourced services in relation to the BSC Systems, both legacy, and the new Kinnect platform.

**New and Existing Business Activity:**

- The Energy Price Guarantee Scheme, Energy Bill Relief Scheme and the Energy Bills Discount Scheme
- Nuclear RAB

**Investment Activity:**

- Helix Programme
- MHHS Implementation Manager
- Investment in the continued deployment of Kinnect
- The expenditure associated with processing Change Proposals or Modifications raised by the industry, the costs of implementation of BSC Systems Releases, upgrades required to our estate and other small automation solutions and fixes
- Transforming BSC Code Management, aspects of BSC Rules Management and Assurance processes to make these more efficient for industry
- Some horizon scanning market development activity, to ensure that we are prepared for future change that may impact the BSC.

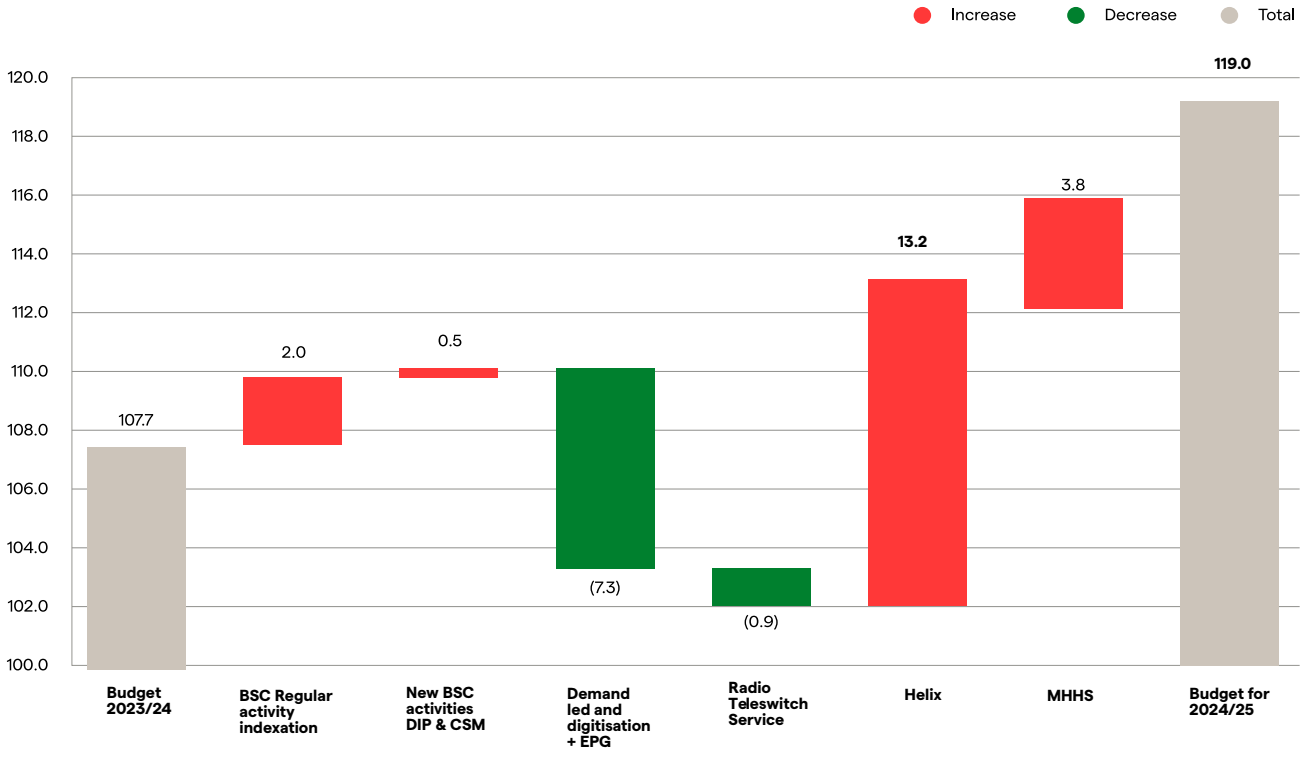
# Overview

(Continued)

**Other Activity**

- The RTS is a pass-through cost from Local Distribution System Operators (LDSOs). Following industry agreement in 2019, RTS operational costs borne by the Energy Networks Association (ENA) have been recovered through the BSC since April 2020.

**The waterfall graph below illustrates the drivers for the changes from our 2023/24 budget**




We recognise that this budget has increased compared to the 2023/24 budget. The main driver for the increase of £11.3m in 2024/25 is principally due to the continuing increased complexity of delivery of the Helix Programme (£13.2m) and an increase for MHHS of £3.8m.

2024/25 will be the tenth year that Elexon, in its role as Settlement Services Provider for EMR, delivers its services via its subsidiary EMR Settlement Limited (EMRS) to the Low Carbon Contracts Company Limited (LCCC) and Electricity Settlements Company Limited (ESC).

All EMR related costs are fully funded by LCCC and ESC and the total costs of LCCC and ESC (which include those of EMRS) are consulted on separately by DESNZ. Our work in this area enables us to offset some of our overheads, which would otherwise have been borne by BSC Parties (2023/24: £0.9m) and is currently budgeted to be £0.9m for 2024/25.

# Budget summary

Table 1.1 below shows a budget of £119.0m for 2024/25 to deliver BSC activity, Kinnect, Helix and the MHHS Programme. As stated, this is an increase of £11.3m (10.5%) against the current year's budget.

Table 1.1 has a breakdown of regular BSC activity costs and our costs for the RTS scheme. This table also shows the breakdown of our demand-led, digitalisation and code management work. Demand-led refers to costs relating to implementation of changes requested by industry through Modifications. Digitalisation refers to our work to complete the roll out of Kinnect.

Changes to the approved MHHS re-plan have impacted on Helix costs in 2024/25, as stated earlier in the budget overview.

The budget set for delivering the MHHS Implementation Manager role in 2024/25 is £23.6m.

**Table 1.1 Budget Summary**

| Item | Year to March 2023/24 Original Budget £m | Year to March 2023/24 Amended Budget £m | Year to March 2024/25 Budget £m | 2024/25 Budget vs 2023/24 Original Budget £m | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget £m | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection £m | 2024/25 Budget vs Published Projection £m | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget £m | Year to March 2026/27 Budget £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Elexon BAU Operational incl EMR Income | 22.1 | 20.6 | 23.5 | (1.4) | (6.3) | (3.0) | (14.6) | 21.8 | (1.7) | (8.0) | 24.6 | 25.3 |
| Contracted | 21.2 | 21.0 | 22.3 | (1.1) | (5.2) | (1.3) | (6.2) | 21.6 | (0.7) | (3.1) | 23.2 | 25.8 |
| **Total BSC Regular Activity** | **43.3** | **41.6** | **45.8** | **(2.5)** | **(5.8)** | **(4.2)** | **(10.1)** | **43.4** | **(2.4)** | **(5.6)** | **47.8** | **51.1** |
| Teleswitch (pass through from DNOs) | 4.9 | 5.0 | 4.0 | 0.9 | 18.4 | 1.0 | 20.5 | - | (4.0) | - | 3.0 | - |
| EPG | 0.2 | 0.2 | 0.1 | 0.1 | - | 0.0 | 31.9 | 0.2 | 0.1 | | - | - |
| Demand Led and Digitalisation | 21.7 | 17.6 | 14.5 | 7.2 | 33.4 | 3.2 | 18.1 | 12.5 | (2.0) | (15.6) | 10.1 | 8.9 |
| **Total excl. MHHS & Helix** | **70.1** | **64.4** | **64.4** | **5.7** | **8.2** | **0.0** | **0.0** | **56.1** | **(8.3)** | **(14.7)** | **60.9** | **60.0** |
| Helix | 17.8 | 25.0 | 31.0 | (13.2) | (74.2) | (6.0) | (11.6) | 6.8 | (24.2) | (355.9) | 11.6 | 0.1 |
| MHHS | 19.8 | 22.0 | 23.6 | (3.8) | (19.1) | (1.6) | (7.1) | 17.4 | (6.2) | (35.5) | 16.1 | 10.6 |
| **Total Elexon** | **107.7** | **111.4** | **119.0** | **(11.3)** | **(10.5)** | **(7.5)** | **(4.0)** | **80.3** | **(38.7)** | **(48.1)** | **88.6** | **70.7** |

# Our Budget in detail

The following pages describe each element of our budget in more detail. The budget for total regular Elexon BSC activity (Table 2.1 below) shows a £2.5m increase (5.8%) against the current year budget and a £4.2m (10.1%) increase against the amended budget. The Amended 2023/24 Budget referred to in the Table was sent out to BSC Parties with an invitation to comment on 17 November 2023, with a deadline of 30 November 2023 for responses. As explained in the Overview, Elexon's Board approved the amended 2023/24 budget on 6 December 2023.

**Elexon BAU Operational**

The increase anticipated in the coming year compared to the original budget is mainly driven by the impact of indexation. The budget for our Operational Costs for 2024/25 is £23.5m, a £1.4m (6.3%) increase compared with the 2023/24 budget and a £3.0m (14.6%) increase against our amended budget, as shown in Table 2.1. This includes costs such as people, occupancy, staff-related and administrative expenses, as well as consultancy and legal support. This also includes the offset generated by the contribution from EMR activities as a result of providing resources to our subsidiary EMR Settlement Ltd (EMRS), for which it fully recompenses Elexon.

**Contracted**

A significant proportion of our costs of delivering the BSC arrangements comes from the contracted expenditure of BSC Agents and contracted service providers for running legacy systems in parallel with costs for Kinnect, until such time as we can retire these legacy systems. This is also shown in Table 2.1 below. These are predominantly fixed costs, linked to indexation. Some of our contracts with third party technology providers are due to expire during the three-year cycle of the business plan. In advance of that expiry, we will be reviewing Elexon's outsourced model of delivery and implementing a future state model, so that we can deliver at increased pace, and at a more efficient cost.

**Office lease and dilapidations**

The lease of our office premises at 350 Euston Road currently runs until 1 August 2027. As we approach this date, we are building up a picture of our space requirements, market conditions, negotiating stance and the relevant costs of follow-on (or new) arrangements, together with the cost of any dilapidations payable on the existing lease if exited. Any costs relating to such changes, should there be any, have not been included in this business plan and will be notified to Parties at the time the situation becomes clear.

**Table 2.1 Budget for Total Regular BSC Activity**

| Item | Year to March 2023/24 Original Budget £m | Year to March 2023/24 Amended Budget £m | Year to March 2024/25 Budget £m | 2024/25 Budget vs 2023/24 Original Budget £m | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget £m | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection £m | 2024/25 Budget vs Published Projection £m | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget £m | Year to March 2026/27 Budget £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Elexon BAU Operational incl EMR Income | 22.1 | 20.6 | 23.5 | (1.4) | (6.3) | (3.0) | (14.6) | 21.8 | (1.7) | (8.0) | 24.6 | 25.3 |
| Contracted | 21.2 | 21.0 | 22.3 | (1.1) | (5.2) | (1.3) | (6.2) | 21.6 | (0.7) | (3.1) | 23.2 | 25.8 |
| **Total BSC Regular Activity** | **43.3** | **41.6** | **45.8** | **(2.5)** | **(5.8)** | **(4.2)** | **(10.1)** | **43.4** | **(2.4)** | **(5.6)** | **47.8** | **51.0** |

# Our Budget in detail

(Continued)

**People (Employee and Contractor) Costs**
The 2024/25 headcount illustrated in Table 2.2 is an average for the year and does not represent the actual number of employees at a fixed point in time, but a full time equivalent of those engaged in the period, and is therefore representative of the costs.

We actively manage resources within the organisation so that we are able to continue to meet our obligations. We do this through continually benchmarking and assessing the appropriateness of our people and reward strategy. We are mindful of our need to manage and mitigate, where possible, operational risk while continuing to deliver value for money to our customers.

We also note that we have had feedback from BSC Parties and the BSC Panel that Elexon should have adequate numbers of capable people to continue the provision of our services.

Our work to develop, retain and attract people is described in the People Strategy section.

We have budgeted based on known BAU headcount and salaries by function. The FTE headcount (as shown in the table below) will increase in 2024/25. The main driver for this is recruitment for the Helix Programme. Much of this uplift for the programme is to cover the early onboarding of roles that will be required to support MHHS migration. The projected fall in the average headcount for Elexon by 2026/27 reflects the implementation timeline of our major programmes (Kinnect, Helix and the MHHS Programme). We will proactively retain resources with core knowledge and industry expertise that are essential to delivering the performance we envisage in our new strategy.

**Table 2.2 Elexon Average Headcount**

| Item | Year to March 2023/24 Original Budget FTE | Year to March 2023/24 Amended Budget FTE | Year to March 2024/25 Budget FTE | 2024/25 Budget vs 2023/24 Original Budget FTE | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget FTE | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection FTE | 2024/25 Budget vs Published Projection FTE | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget FTE | Year to March 2026/27 Budget FTE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Headcount | 264.7 | 264.7 | 291.3 | (26.6) | (10.1) | (26.6) | (10.1) | 252.2 | (39.1) | (15.5) | 283.4 | 247.4 |

**Teleswitch (RTS) costs**
RTS meters can switch tariff rates at certain times of the day, based on receipt of a broadcast signal. The RTS arrangement has an impact of £4.0m in the 2024/25 budget (shown in table 2.3 below). However, the costs are outside Elexon's control, as a pass-through cost from LDSOs, fully recoverable from the ENA.

We are informed that the decrease of £0.9m (22.5%) compared to the current budget of £4.9m is due to the BBC electricity contract renegotiations. RTS meters will continue to be used until they are replaced by modern meters. Ofgem has called for Suppliers to go further in replacing customers' RTS meters with a smart meter variant. On 1 March 2024, Energy UK confirmed that the RTS will be extended to 30 June 2025. We had already allocated £3m for the RTS service in 2025/26 (as shown in the table below) on the assumption that there would be an extension.

**Table 2.3 RTS costs**

| Item | Year to March 2023/24 Original Budget £m | Year to March 2023/24 Amended Budget £m | Year to March 2024/25 Budget £m | 2024/25 Budget vs 2023/24 Original Budget £m | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget £m | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection £m | 2024/25 Budget vs Published Projection £m | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget £m | Year to March 2026/27 Budget £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Teleswitch (pass through from DNOs) | 4.9 | 5.0 | 4.0 | 0.9 | 18.4 | 1.0 | 20.5 | - | (4.0) | - | 3.0 | - |

# Our Budget in more detail

(Continued)

**Investment in system strategy and business transformation**

This area of our budget relates to the transformation and transition (Digitalisation Programme) of the current ageing BSC Central Systems to Kinnect, as well as transforming aspects of BSC code management and related processes.

The key assumptions in our 2024/25 budget cover costs for completing the migration of SAA, the FAA, ECVAA, CDCA and all remaining data on the BMRS to the new Kinnect platform, and then switching off legacy systems by October 2024, as explained earlier in the plan. For next year we have included a budget for achieving all this of £9.7m.

**Demand Led change**

To ensure that we are appropriately funded in order to be able to implement changes requested by industry through BSC Modifications, our budget includes provision for the cost of demand-driven activity. This is activity arising from changes proposed by industry and required by the Government, and (or) by Ofgem.

As stated in the budget overview, the Demand Led budget for BSC systems releases has been set at £4.0m (a £0.9m decrease compared to the 2023/24 budget in the light of the extent of change associated with our major programmes). The budgeted figures are based on known Modifications, taking into account estimates of historic change costs, as well as taking a view on new changes that may come forward during the year.

**Business Development**

As with previous years, this budget includes provision (£0.7m) for Business Development. This is used to horizon scan for changes in the GB energy market that may impact the BSC. This allows us to consider these in detail and look for ways to make sure that the BSC plays its part in facilitating energy market change. In addition we expect to use this budget to assess the impacts of code reform and the creation of the FSO on Elexon. We will also use this budget for our stakeholder engagement activity related to the market facilitator role.

Note that no assumptions are made as to the eventual delivery of the pieces of work being sought through these Business Development activities. Should Elexon be successful in securing this work, the activities and costs would be added into our plans once they are contracted and confirmed. Our preference is not to budget for roles if there is any uncertainty about if (or when) we would need to deliver them. This reduces the likelihood of having to return unused budget to Parties at a later stage.

We will continue to engage with BSC Parties and potential new market entrants to ensure that the BSC enables, as appropriate, their innovative ideas and ambitions. We continue to work with Ofgem and the REC Company (RECCo) on how the RECCo and the BSC arrangements work in tandem going forward.

**Table 2.4 Budget for Projects and Investments**

| Item | Year to March 2023/24 Original Budget £m | Year to March 2023/24 Amended Budget £m | Year to March 2024/25 Budget £m | 2024/25 Budget vs 2023/24 Original Budget £m | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget £m | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection £m | 2024/25 Budget vs Published Projection £m | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget £m | Year to March 2026/27 Budget £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment in Systems & Business Transformation | 16.8 | 14.1 | 9.7 | 7.1 | 42.4 | 4.4 | 31.1 | 7.4 | (2.3) | (30.9) | 5.4 | 4.3 |
| Demand Led | 4.9 | 3.4 | 4.0 | 0.9 | 17.4 | (0.6) | (19.0) | 4.9 | 0.9 | 17.4 | 4.0 | 4.0 |
| Business development | 0.2 | 0.2 | 0.7 | (0.5) | (260.5) | (0.5) | (260.5) | 0.2 | (0.5) | (260.5) | 0.6 | 0.6 |
| **Total Projects and Investments** | **21.9** | **17.7** | **14.5** | **7.4** | **34.0** | **3.2** | **(18.1)** | **12.5** | **(2.0)** | **(15.6)** | **10.1** | **8.9** |

# Our Budget in more detail

(Continued)

**The Helix Programme**

As explained earlier in the plan, the Helix Programme will re-engineer BSC central systems so that Elexon can support MHHS. We have included a budget of £31.0m in 2024/25 for development work and resources for the Helix services, so that they are ready to support industry testing.

The Helix Programme entered the year 2023/2024 with an expectation of completing the development of core functionality in the first half of that year. Consequently, upon the June 2023 re-plan of the MHHS Programme being approved by industry participants and Ofgem, the Helix Programme was, and continues to be, impacted by the following:

- Overall change in the MHHS end completion date for having fully cut over to the new Settlement timetable of December 2026, instead of the previous November 2025
- Late emerging requirements from the Programme, leading to certain rework of already completed development.

As a result, we forecast costs in FY 2024/25 to be £31.0m, an increase of £13.2m from the original budget of £17.8m for 2023/24.

**MHHS Programme**

MHHS budget for 2024/25 is £23.6m, which represents an increase of £1.6m compared to the 2023/24 Amended budget. Overall, re-planned MHHS Programme costs, based on costs to date plus the business plan figures below, total £95.0m including a contingency amount for the three remaining years that are expected, to complete the programme.

The total MHHS Programme costs approved by Ofgem are £90.0m so the additional sum of £5.0m across this business plan represents a reasonable risk estimate which, should it be required, would firstly require formal approval by the MHHS Programme Steering Group, prior to any such funds being used.

**Table 2.5 Helix and MHHS**

| Item | Year to March 2023/24 Original Budget £m | Year to March 2023/24 Amended Budget £m | Year to March 2024/25 Budget £m | 2024/25 Budget vs 2023/24 Original Budget £m | 2024/25 Budget vs 2023/24 Original Budget % | 2024/25 Budget vs 2023/24 Amended Budget £m | 2024/25 Budget vs 2023/24 Amended Budget % | Year to March 2024/25 Published Projection £m | 2024/25 Budget vs Published Projection £m | 2024/25 Budget vs Published Projection % | Year to March 2025/26 Budget £m | Year to March 2026/27 Budget £m | Total Project Budget £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Helix | 17.8 | 25.0 | 31.0 | (13.2) | (74.2) | (6.0) | (24.0) | 6.8 | (24.2) | (355.9) | 11.6 | 0.1 | 87.7 |
| MHHS | 19.8 | 22.0 | 23.6 | (3.8) | (19.1) | (1.6) | (7.1) | 17.4 | (6.2) | (35.5) | 16.1 | 10.6 | 95.0 |
| **Total Elexon** | **107.7** | **111.4** | **119.0** | **(11.3)** | **(10.4)** | **(7.7)** | **(6.9)** | **80.3** | **(38.7)** | **(48.1)** | **88.5** | **70.7** | **N/A** |

# Our Budget in more detail

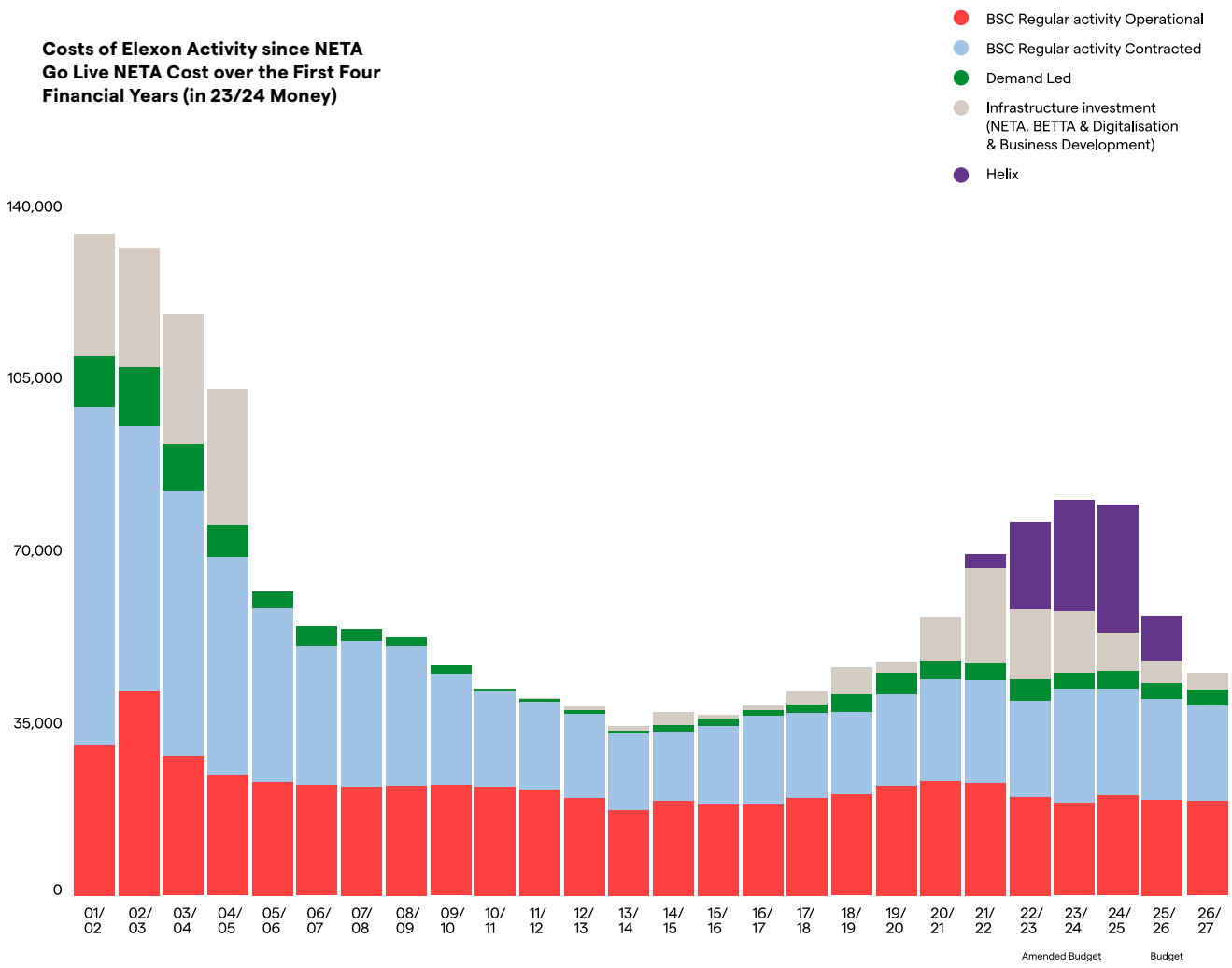
(Continued)

**Costs of Elexon Activity since NETA Go Live**
The chart below shows the total costs of Elexon activity since the go live of the New Electricity Trading Arrangements (NETA) in 2001/02 in real terms (in 2023/24 money after applying April RPI impacts for each year). The costs are net of staff and overhead costs for EMR activities (which are fully funded by LCCC/ESC).

It shows the infrastructure investment in the early years for NETA go-live and subsequent expansion to Scotland, then the reduced investment, where BSC Parties benefitted from sweating of those assets, as we successfully brought the costs down though efficiency savings and competitive procurements.

More recently, these costs have begun to rise, reflecting the growth in system investments and digitalisation costs caused by Demand Led activity such as MHHS and our investment in future-proofing our central systems.

**Costs of Elexon Activity since NETA Go Live NETA Cost over the First Four Financial Years (in 23/24 Money)**



# Charging analysis

This section outlines how we expect to charge the budget to BSC Trading Parties. Table 3.1 contains charging proposals from Section D of the BSC. All of the charges presented in Table 3.2 exclude value added tax (VAT).

**Table 3.1**
**Section D – Charging ***

- £500 Application Fee;
- Membership fee of £250 per month;
- CVA Metering System Monthly Charge of £50 per month.
- CVA BM Unit Monthly Charge (other than for Supplier BM Unit) of £0 per month (this charge is levied on each pair of BM units in the case of an exempt generator);
- For communication line and TIBCO charges, please refer to the Elexon website
- Notified Volume Charge per Gross Contract MWh at a rate of £0.0005/MWh;
- For all Base SVA BM Units a charge of £0 per month;
- For all Additional SVA BM Units a charge of £60 per month;
- SVA costs split:
  - 50 percent of costs are paid by generators on the basis of metered energy volumes;
  - A fixed fee of £0.01313 per SVA Metering System per month;
- MHHS Monthly Implementation Charge, a fixed fee of £0.06029 per SVA Metering System per month;
- All remaining costs split on the basis of metered energy volumes.

* These are based on the current charges. They are subject to change following a periodic review approved by the Panel. Please refer to the BSC website for current rates.

Based on the information in Table 3.4 examples of charges to BSC Parties are provided. First, the 2024/25 Annual Budget is set out in Table below.

**Table 3.2**
**Split of Costs**

| | Assumed Split of Costs | | |
|---|---|---|---|
| | **2023/24 Budget** | **2023/24 Amended Budget** | **2024/25 Budget** |
| SVA Costs | 11.0 | 10.7 | 10.3 |
| Other Costs | 76.8 | 78.7 | 85.1 |
| MHHS | 19.9 | 22.0 | 23.6 |
| Total | 107.7 | 111.4 | 119.0 |

# Charging analysis

(Continued)

Second, various assumptions about the size of the market are made. These are presented in Table 3.3.

**Table 3.3**
**Market Assumptions**

| Market Assumptions | 2023/24 Budget | 2023/24 Amended Budget | 2024/25 Budget |
|---|---|---|---|
| Number of Trading Parties | 482 | 504 | 514 |
| Sales - Notified Contract Volumes (TWh) | 782 | 752 | 767 |
| Purchases - Notified Contract Volumes (TWh) | 782 | 752 | 767 |
| Generation (TWh) | 210 | 216 | 220 |
| Supply (TWh) | 210 | 216 | 220 |
| NHH Supply (TWh) | 90 | 90 | 92 |
| HH Supply (TWh) | 120 | 126 | 129 |
| CVA BM Units | 1,200 | 1,333 | 1,360 |
| SVA Base BM Units | 245 | 214 | 218 |
| SVA Additional BM Units | 400 | 433 | 442 |
| Data Line | 43 | 43 | 43 |
| Comms Software (5 users) | 26 | 26 | 26 |
| **Comms Software (additional user)** | | | |
| CVA Metering Systems (MSIDs) | 1,000 | 1,050 | 1,071 |
| SVA Metering Systems (MSIDs) | 32,242,407 | 32,267,595 | 32,590,271 |

# Charging analysis

(Continued)

Third, the charging regime from Section D of the BSC in Table 3.1 is then applied to costs in Table 3.2 based on the assumptions in Table 3.3. This gives the estimated charges (either specified charges or £/MWh fees) as shown in Table 3.4.

**Table 3.4**
**Expected Charges**

| Charge Item | 2023/24 Budget | 2023/24 Amended Budget | 2024/25 Budget |
|---|---|---|---|
| **Specified Charges** | | | |
| CVA BM Units (£/month) | - | - | - |
| SVA Base BM Units (£/month) | - | - | - |
| SVA Additional BM Units (£/month) | 60 | 60 | 60 |
| Data Line - estimated average (£/month) | 700 | 700 | 700 |
| Comms Software - average quad2 processor (£/month) | 1,080 | 1,080 | 1,080 |
| Comms Software (additional user) (£/month) | 22 | 22 | 22 |
| Contract Traded (£/MWh) | 0.0005 | 0.0005 | 0.0005 |
| CVA Metering Systems (£/month) | 50 | 50 | 50 |
| Base Monthly Charge (£/month) | 250 | 250 | 250 |
| MHHS Monthly Implementation Charge (£/MSID/month) | 0.05187 | 0.05074 | 0.06029 |
| **SVA** | | | |
| SVA Metering Systems (£/MSID/month) | 0.01429 | 0.00992 | 0.01313 |
| Gen Energy SVA (£/MWh) | 0.026 | 0.025 | 0.023 |
| **Main Charges** | | | |
| Energy fee (£/MWh) | 0.22100 | 0.22760 | 0.23764 |

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

Tel: 020 7380 4100
Web: elexon.co.uk

ELEXON