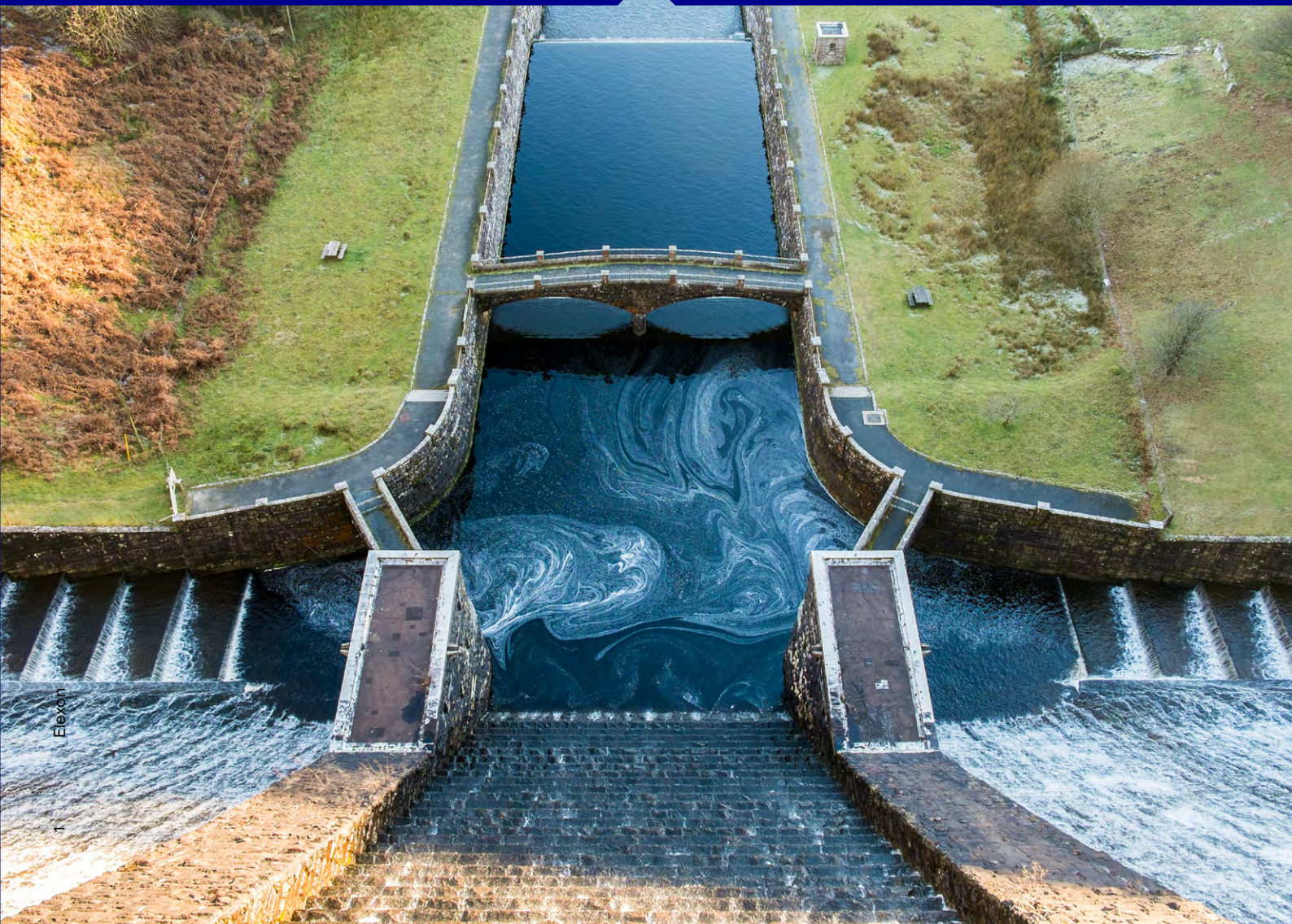


BSC ANNUAL REPORT  
2019/20

**ELEXON**



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# REPORT FROM THE CHAIRMAN







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

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## Report from the Chairman

This annual report for 2019/20 covers a period in which the most significant work programmes for Elexon, and the Balancing and Settlement Code (BSC) Panel, have been continuing to support the transition to a smarter, more flexible electricity system, and meeting the net zero emissions target. We have a major, central role in facilitating both these ambitions.

The extensive changes in how the UK produces and uses electricity continued. In May 2019, for example, Britain operated for 18 days without using any coal to generate electricity – a record that was exceeded by the time this report was written. In June 2019 the UK also became the first parliament in the world to legislate for net zero emissions, a policy which requires a clean electricity system.

## Helping companies to manage the impact of COVID-19

I first want to focus on the very end of the year covered by this report. Since March 2020, the priority for Elexon, the BSC Panel and the Performance Assurance Board (PAB), one of the Panel's sub-committees, was to support Suppliers in managing the impact of the coronavirus (COVID-19). This period once again demonstrated the essential role that the electricity system plays, especially in keeping the lights on, and maintaining the systems for hospitals, providers of essential services and supermarkets, as well as for people working at home.

Before the lockdown came into force on March 23, Elexon staff had already been working from home for nearly two weeks, successfully operating our routinely tested business continuity plans, with core systems that perform Settlement services working as normal.

Suppliers already faced challenging market conditions before the COVID-19 outbreak, partly due to issues arising from the retail price cap. Changes in the composition of the retail market over the past year and announcements of significant job losses by a number of Suppliers, particularly highlighted the cost pressures that the industry experienced.

The lockdown caused a sudden reduction in demand from businesses and a significant drop in the volumes of electricity sold by Suppliers. In the absence of meter readings Suppliers faced Settlement costs based on historic consumption that did not reflect these lower energy volumes. They also faced scrutiny under the BSC performance assurance regime for securing sufficient meter reads.

We asked our customers what we could do to help, e.g. by temporarily easing the burden of compliance with the BSC. We swiftly brought together a group of industry experts to develop and test some proposals, before obtaining agreement for them from the PAB.

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**The BSC Panel then agreed temporary measures to ease the burden on Suppliers. These were:**

- Derogations allowing Suppliers to provide estimated consumptions for use in Settlement that reflect the realities of the lockdown
- Suspending Error and Failure Resolution targets
- Suspending the charges Suppliers would normally face if they do miss certain Settlement performance targets.

The Panel also agreed new principles for prioritising changes to the BSC to reduce further the burden on responding to consultations. Only the suspension of Supplier charges required a Modification. All other changes were brought in under the existing governance framework. You can find further detail on these changes on our [COVID-19 webpage](#).

This is a great example of what we can achieve, working together with the industry under the BSC rules on resolving issues at speed, when there is a need to do so. We will continue to support and respond to the needs of our customers through the COVID-19 pandemic. These measures could be modified, or reintroduced should further lockdowns periods be announced.

**How our work supports a smarter, more flexible electricity system**

This annual report includes many examples of how our work makes an important contribution to the energy transition. In particular, smart meters have the potential to play a big role by helping to improve the efficiency of the system and giving consumers more understanding of, and therefore control over, their energy usage.

**Momentum needs to be maintained on Market-wide Half Hourly Settlement**

Around 40 percent of all electricity customers have smart meters now. And in the past few years, Suppliers have started to offer time of use tariffs, which help people take advantage of cheaper electricity outside of peak times. However, for Suppliers, innovators and consumers to extract the full benefits of smart meters, the industry needs to move to Market-wide Half Hourly Settlement (MHHS). We are playing an important role in providing technical leadership to Ofgem's Significant Code Review, which will help Ofgem to decide if and when MHHS should be introduced.

In August last year, the Elexon-led industry Design Working Group completed the design of the Target Operating Model (TOM) for MHHS and the transition approach to it. This was the culmination of two years of work by Elexon and the industry. Ofgem granted preliminary approval for the TOM in October 2019, and since December 2019, Elexon has been leading follow up work.

In April, Ofgem published a draft impact assessment on the case for MHHS, which estimated remarkably high net benefits to consumers of up to £4.6bn over 25 years. We believe that it is absolutely vital that momentum is maintained in the programme leading up to Ofgem's final decision. We will continue to do everything we can to help our customers prepare, and to support Ofgem with the information they require.

**Wider Access to the balancing mechanism is a major major step forward**

I am pleased to say that in December 2019 we delivered a major step forward for the smarter system by opening up the Balancing Mechanism (BM) to independent aggregators. Previously aggregators could only use the BM if they were affiliated with a licensed Supplier. Allowing 'Wider Access' creates more opportunities for independent aggregators to offer their services in co-ordinating demand-side response (DSR). DSR could play an important role in smoothing out peaks and troughs in supply and demand, thus enabling a more efficient and cost-effective system. We have already helped two independent aggregators to register for Wider Access in the newly created Virtual Lead Party (VLP) role, and are assisting others with the joining process.

These reforms are also noteworthy for two other reasons. Firstly, they demonstrate our effective working partnership with National Grid ESO to deliver the reforms on time. Secondly, these reforms were delivered by the new Settlement Solution for our digital platform (previously known as the Foundation Programme), which will modernise the technical architecture of BSC systems. The result will be a flexible, scalable platform providing digitalised market entry, Settlement, and data insight services to support a smarter electricity system.

### Continued support for the Codes Review

The BSC is one of 11 major central codes across the energy system. The codes perform a vital role, providing the commercial arrangements underpinning the sector. We have been a strong supporter of reforming the code arrangements so that they are easier for Parties to understand and use. The codes must also be more able to facilitate innovation and enable the coordination of strategic change across the industry rules.

**“We firmly believe that the Codes Review must be progressed to a conclusion where reforms can be put in place, which will consolidate code bodies, simplify the arrangements, and build on best practice.”**

Since Ofgem and BEIS published options for reform last July we have continued to discuss our views with them. We also shared feedback we have obtained from the industry. We firmly believe that the Codes Review must be progressed to a conclusion where reforms can be put in place, which will consolidate code bodies, simplify the arrangements, and build on best practice.

We will continue to support Ofgem and BEIS on the Codes Review as we believe the need for reforms will continue to grow as we work towards net zero. There are lessons to be learned from how each of the code arrangements performed in the COVID-19 situation. The goal must be a set of code arrangements which support simplicity and innovation, and which are responsive to change.

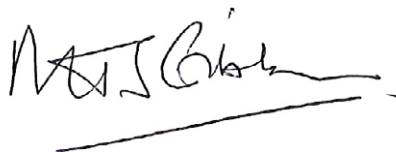
### 300th meeting of the Balancing and Settlement Code Panel

At a time of so much change, and as the 300th meeting of the BSC Panel took place in March 2020, I found it useful to reflect on the work that has been done to shape the BSC and the electricity system over the years.

During the past 20 years the Panel has played a critical role in supporting and driving change in the electricity system. This has included helping the development of electricity trading arrangements, measures to improve security of supply, and more recently, changes which support innovation. I feel proud and privileged to chair the Panel, and would like to thank all Panel members, past and present for sharing their expertise and experience. They have made a major contribution to shaping the energy system.

### Effective stewardship of the BSC

Our ability to maintain effective stewardship of the BSC relies on strong leadership by Elexon and the Panel, combined with the dedication and expertise of all Elexon colleagues. I would like to thank everyone at Elexon, our Board members, the BSC Panel, committee members, and especially the executive team, for the hard work and successful achievements they continue to deliver. I referred earlier to the industry’s success in the management of the COVID-19 challenges. We must now apply best practice to manage the next big challenge, helping the sector achieve net zero.



**Michael Gibbons CBE**

Chair, Elexon Ltd and the BSC Panel



# ELEXON'S 2019/20

BSC HEADLINE STATISTICS



2,560 Settlement  
Runs carried out

2,560

20 Modification  
Proposals raised

20

Started to offer  
pre-BSC Panel  
briefing webinars  
to increase  
accessibility for  
BSC Parties

16 Modifications  
implemented

16

26 Issue Group  
meetings

26

Reviewed 122 consultations  
and responded to 33

122

2.94m million Energy  
Contract Volume  
Notifications (ECVNs)  
received

2.94m

46 Modification  
Workgroup meetings

46

6 Supplier of  
Last Resort  
events managed

6

Change  
Proposals  
implemented

11

Approximately 1,600 new  
followers on LinkedIn

1,600



Welcomed 369 attendees to our Introduction to the Energy market seminars

# 369

38 Trading Disputes upheld totalling approximately £7.5m

# £7.5m

198 people registered for our webinars

# 198

306 Credit Defaults managed with 23 notified publicly

# 306

37 new BSC Parties registered

# 37

161 circulars published

# 161

Our videos and recorded webinars were watched 2,339 times

# 2,339

£455m of Credit Cover managed

# £455m

Welcomed 281 attendees to 5 industry events

# 281

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## BSC Panel remuneration

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

### Panel Chairman

#### Michael Gibbons

Role: Elexon Board and BSC Panel Chair

#### Remuneration/benefits:

Annual fee for the combined roles: £160,290

### Panel Members:

#### Dr Phil Hare:

Role: Independent Panel Member and Deputy Chair

#### Remuneration/benefits

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

#### Professor Derek Bunn

Role: Independent Panel Member

#### Remuneration/benefits

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

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## Elexon Board remuneration

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

#### Anne Heal

Non Executive Director and Remuneration Committee chair

**£32,800**

#### Clare Duffy

Non Executive Director

**£28,800**

#### David Rigney

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

**£34,800**

#### David Titterton

Non Executive Director

**£28,800**

#### Sara Vaughan

Non Executive Director

**£28,800**



# Number of meetings attended by BSC Panel members

## BSC Panel Members are appointed by:

- election (in the case of Industry Members) or by appointment
- the Panel Chairman (in the case of Independent Members)
- National Grid Electricity System Operator (in the case of the National Grid ESO Panel Member)
- Distribution Network Operators (in the case of the DNO Representative)
- Citizens Advice (in the case of Consumer Panel Members).

There were 17 BSC Panel meetings during 2019/20 (12 scheduled, five ad hoc). At scheduled meetings Panel members vote on whether or not to recommend Modifications for approval by Ofgem. Ad hoc meetings are used for discussing urgent business, for example Supplier of Last Resort issues, Supplier Default and voting on urgent Modifications.

A consumer representative attended the majority of the meetings. There was no Panel Election during the 2019/20 year, as elections take place every two years.

Attendance	Scheduled BSC Panel meetings attended	Ad Hoc BSC Panel meetings attended
<b>Michael Gibbons</b> Panel Chairman	11	3
<b>Dr Phil Hare</b> Independent Panel Member	12	5
<b>Derek Bunn</b> Independent Panel Member	11	4
<b>Diane Dowdell</b> Chair-appointed Industry Panel Member	11	5
<b>Lisa Waters</b> Industry Panel Member	11	3
<b>Mark Bellman</b> Industry Panel Member	9	3
<b>Mitch Donnelly</b> Industry Panel Member	2	1
<b>Stuart Cotten</b> Industry Panel Member	9	2
<b>Tom Edwards</b> Industry Panel Member	11	2
<b>Colin Down</b> Ofgem Representative	12	0
<b>David Lane</b> Distribution Network Operator Representative	11	5
<b>Stew Horne</b> Consumer Panel Member	7	2
<b>Victoria Pelka</b> Consumer Panel Member	2	3
<b>Jon Wisdom</b> NGESO Panel Member	11	3



# BUSINESS REVIEW







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**In June 2019 the Government passed legislation requiring carbon emissions to be net-zero by 2050, with the UK becoming the first country in the world to do so. This commitment will give fresh impetus to decarbonisation in the energy sector, which has already delivered significant reductions in carbon emissions through the development of large-scale renewable generation. Elexon's job is to make sure that the Settlement services and wholesale electricity market arrangements, which we manage, can support the further evolution of the electricity system to meet the net-zero target.**

As highlighted in the Chairman's report, there are a range of examples of what we have delivered to respond to the themes we set out in our [2019/20 Business Plan](#). We discuss these in more detail below.

#### **Supporting development of the smarter, more flexible electricity system**

We delivered reforms allowing 'Wider Access' to the Balancing Mechanism (BM) on time, in December 2019, working closely with National Grid ESO. These reforms are part of Modification [P344](#) 'Project TERRE' (Trans-European Replacement Reserves Exchange). They allow independent aggregators to access the BM for the first time. Overall, National Grid ESO spends around £500m net on BM costs annually. Opening up the BM

is therefore a significant opportunity for independent aggregators as it is an additional market for their services. These reforms will also help National Grid ESO to manage the system more effectively. With greater amounts of DSR available National Grid ESO is better equipped to maximise system efficiency and reduce costs. This is good for customers as we all pay for the costs of system operation as part of our bills.

Independent aggregators can participate in the BM in the newly created VLP role. Since the Wider Access reforms were introduced we have helped two companies, Flexitricity and Cenergise, to enter the market and become VLPs and we are helping six other companies through the process.

In April 2020, Flexitricity became the first VLP to complete trades with National Grid ESO in the BM. The delivery of market entry arrangements is one part of the changes we are making through our digital platform which will ensure that our technology is nimble, scalable and supportive of the innovations required to meet net zero. We see the opening of the BM as a major contribution to the development of smarter markets. Aggregators could play an increasing role in the smarter energy system by helping consumers to realise the benefits of providing DSR.

### Market-wide Half Hourly Settlement

Another major industry-wide workstream, which contributes to the smarter, more flexible electricity system is Market-wide Half Hourly Settlement (MHHS). We believe that moving to MHHS would be a major step towards a smarter energy system. MHHS offers significant benefits for the industry, including faster and more accurate Settlement.

The Elexon-led Design Working Group completed the design of the Target Operating Model (TOM) for MHHS and the transition approach in August 2019. Following Ofgem's preliminary approval of the TOM in October 2019, our role is to now provide technical leadership to two new working groups that are developing aspects of the TOM further. The first, the Code Change and Development Group (CCDG), is responsible for identifying and overseeing the drafting of changes needed to electricity codes and subsidiary documents. The other, the Architecture Working Group (AWG), is developing the solution architecture required to enable the TOM. Through the CCDG and AWG we will gather views and the best available information to submit to Ofgem. We will be working to ensure the TOM design delivers the objectives of [Ofgem's Significant Code Review](#) on electricity Settlement reform. Ofgem published its draft impact assessment on the case for MHHS in April 2020.

### Electricity flexibility platforms

A smarter electricity system is one which encourages users to be flexible with how much electricity they produce, or use, to make optimum use of the network and reduce system losses. A smarter system also encourages generation to locate close to areas of high demand. Consumers can enter into agreements to offer flexibility services with a network owner or a Supplier in return for payments or benefits.

One aspect of flexibility services is where networks or suppliers buy the electricity that the consumer produces, or use the capacity that they have secured on the network, if the consumer is not using it. Flexibility also covers other important and growing opportunities for consumers to engage more directly in the market, by providing DSR where they increase or reduce their electricity consumption. After all, without engagement by consumers many initiatives will struggle. For example, electric vehicle owners can

agree with Suppliers, aggregators or other companies to provide electricity to the grid, or charge their vehicle at specific times to help network companies to manage the electricity system. Developments like this could make a big impact on Britain's ability to achieve net zero.

In the future, there will be more opportunities for consumers to provide flexibility. In the [Elexon Policy View: Setting up Electricity Flexibility Platforms](#), published in October 2019, we proposed that nationwide 'flexibility markets' could be set up to operate in a similar way to the existing wholesale electricity market, where buyers and sellers can trade flexibility or spare capacity at prices set by the market. Encouraging greater use of flexibility can provide a range of benefits, which ultimately lead to a more efficient electricity system for companies and consumers. The platforms could provide another market place where DSR offers can be traded and they create a wider pool of solutions for network companies to use for resolving distribution network constraints. They could encourage more provision of balancing services, such as system inertia and frequency response. The platforms also provide a route for generators or other users to trade un-used network capacity, which could speed up connections for low carbon generators.

In February 2020 the Department for Business Energy and Industrial Strategy (BEIS) announced two winners of its [Flex competition](#), sharing nearly £2.2m of funding for trials of exchanges. The winners were the Piclo Exchange and Project TraDER, a consortium led by Electron. We are part of the TraDER consortium, providing expertise on market arrangements and opportunities, and will also support Piclo on integrating the exchange with the existing electricity market.

### Making data on the wholesale market open and more accessible

Access to energy market data, combined with use of new technology, will play a big part in helping to transform the energy markets. Elexon played an important role on the [Energy Data Taskforce](#), a cross-industry group set up to advise Government, Ofgem and industry on how to unlock value from data within the energy system. In June 2019 the taskforce made a series of [recommendations](#) to ensure that energy data is more accessible, transparent and openly available.



**“As an organisation at the centre of the energy market we must react quickly to changing scenarios in the sector.”**

We already make a significant amount of data on the wholesale market available for free (under an open licence) through our [Balancing Mechanism Reporting Service \(BMRS\)](#). However, we have acted to fully embed the taskforce’s recommendations. For example, there are cases where we are still required under the BSC to charge for providing some of our data to companies that are not BSC signatories. Since September 2019 [we have halved](#) that charge to £1,500 per year. In December 2019 the BSC Panel went further, by raising [BSC Modification P398](#), which proposes that all data that Elexon holds is assumed to be openly available, unless the Panel decides that there is a specific reason why it should not be.

#### **Facilitating changes to the BSC and supporting innovation**

Elexon has an ‘end-to-end’ business model. It allows us to work with BSC Parties on development of changes to the code and its subsidiary documents. We also implement and manage changes and BSC processes. These changes support innovation and new business models. Below we highlight progress of some key Modifications which support moves to a smarter electricity system.

During 2019/20 we continued to lead the Workgroup process to assess [Modification P379](#) ‘Multiple Suppliers through Meter Splitting’. If this change goes ahead it may support development of new approaches and services for consumers. For example, manufacturers of electric vehicles, or leasing companies, could offer the cars to consumers on a simple per-mile basis, including the electricity needed to charge them at home.

Changing the BSC rules would allow the meter to account for the electricity the customer uses for charging the vehicle at home to be separated from the rest of their consumption (allowing the lease company to pay for the car’s electricity consumption). These proposals would involve complex changes to the BSC that impact on other arrangements in the electricity market.

Due to other business commitments New Anglia Energy withdrew from this proposal and GridBeyond has now adopted it. All the latest information for P379 can be found on the webpage above, including the Interim Assessment on the proposal’s benefits.

During 2019/20 we continued to help the industry Workgroup to develop the [P375 ‘Metering behind](#)

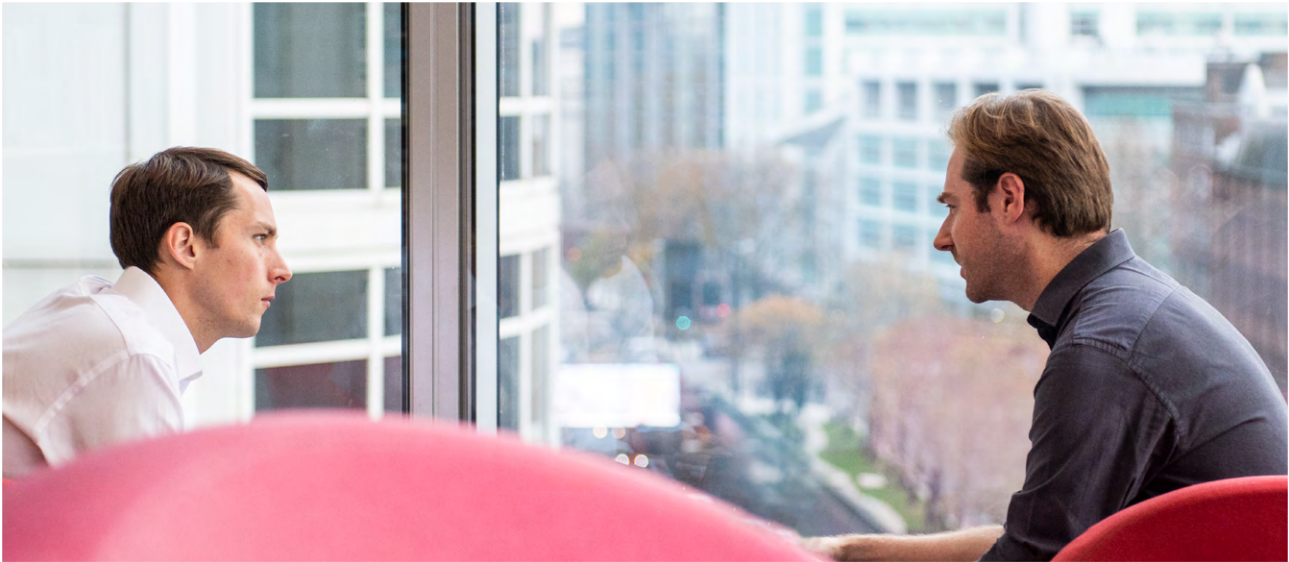
[the Boundary Point’ proposals](#). P375 aims to design metering arrangements, which fully account for balancing services provided by operators that cannot demonstrate delivery at the ‘boundary point’ (the point of connection to an electricity distribution network). Typically these will be smaller generators, and battery storage, which can provide DSR, reducing the need to import electricity for particularly complex, multi-use sites.

The solution would be to fit ‘asset meters’ for units behind the boundary point so that accurate information can be submitted into Settlement. The proposal only applies where these sites are connected to an electricity distribution network. We have also developed a new metering Code of Practice (CoP) to set standards for the accuracy of the metering equipment used.

We are always looking for ways to make the BSC more manageable for existing and new BSC Parties. One example is that in June 2019 we implemented six Modifications and six Change Proposals, which streamlined the code. This included [P364](#), which speeds up registration for ‘non-standard’ Balancing Mechanism Units. It could help Parties wishing to bring new or non-traditional configurations of generating units to the market.

As an organisation at the centre of the energy market we must react quickly to changing scenarios in the sector. While our work supports BSC Parties primarily, we also support our wider industry stakeholders. In September 2019, having been made aware of a problem in funding the operational costs for the Radio Teleswitching Service (RTS), we worked with BSC Parties on a solution to recover the costs via the BSC after April 2020. This facilitated the continuation of the RTS arrangements, which support time of use tariffs for homes.

Previously Distribution Network Operators (DNOs) paid for the RTS operating costs via the Energy Networks Association (ENA). DNOs had discussed the funding of the RTS service with electricity suppliers, once the current arrangements ended in March 2020. Elexon brought industry representatives together to discuss how the costs could be funded through the BSC. The new arrangements will see these costs fully recovered from BSC Parties on an annual basis, protecting the interests of more than one million customers who rely on these meters.



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### Providing support to the market exit process

Many people are affected when an energy company gets into financial distress or has to exit the market. It impacts on consumers who either have to wait to be transferred to a new supplier or decide to move to another Supplier. It also impacts on the other Suppliers that have to cover unpaid costs left over from failed Suppliers, through the Supplier of Last Resort (SoLR) process.

During 2019/20 we managed six suppliers exiting the market through SoLR arrangements. As part of this, we worked with Ofgem to ensure that more than 591,000 customers were transferred to new Suppliers without delay.

The BSC mitigates the risk of Supplier failure by requiring all Suppliers to provide credit collateral, and we ensure that there is a quick process for alerting stakeholders and BSC Parties to a default situation. The credit arrangements and payment terms in the BSC are stringent, and necessarily so to ensure that BSC Parties in general are not left to pick up substantial costs when a Supplier exits the market.

During the year the BSC Panel has expressed concern to Ofgem that some Suppliers are able to use the default processes of different market arrangements to their advantage, by exhausting the escalation processes in one code before settling bills and running up debts under another. That was one reason the Panel was keen to work with Centrica, the proposer of [Modification P385](#).

This change allows the BSC Panel to take faster action if an electricity company is at risk of financial failure, and apply the strict operating restrictions. P385 was implemented in February 2020 and it establishes new triggers for events of default in the BSC. This results in better protection for BSC Parties and consumers, as

costs to the industry and consumers of company failure are minimised. These triggers are monitored and can be reviewed by the Panel.

All BSC Parties are required to post collateral in order to be able to trade in the wholesale market. Companies can be in default of the BSC for not paying imbalance charges that they owe under the Settlement process. If companies pay these charges and post the correct amount of credit collateral, they can exit from default and still remain active in the market. If they do not, then ultimately they can be expelled from the BSC. Following consideration by the BSC Panel, seven defaulting Parties were expelled from the Code in 2019/20.

### Reform of the energy codes

We believe that consolidation and simplification of the energy codes is essential to support the rapid transition to a smarter system. Since Ofgem and BEIS published their [consultation](#) on reforming the codes in July 2019 we have continued to engage with them and offer our views on how best to achieve this. You can read our responses to the [consultation](#) on our website.

To contribute further to the debate, we commissioned Cornwall Insight to perform independent analysis of the reform options that we identified through our engagement with BSC Parties. They concluded that any option is better than the status quo, where there are currently 11 major codes across gas and electricity, six code managers and five code delivery bodies. You can read Cornwall Insight's code consolidation study on the [Codes Review section of our website](#).

We recognise that major reforms are unlikely to be implemented for some time. In the interim, we have proposed practical steps for a faster, more consistent change process across all codes. We believe these steps would assist the development of a smarter

system. They would also allow codes to respond to any potential further lockdown scenarios relating to the COVID-19 pandemic by allowing the codes to be more responsive to the needs of code Parties and innovators in the short term. The steps would also make better use of resources among the industry and code managers. We will work with other code bodies to further develop these proposals.

We also believe that a set of common principles for all code managers should be established to ensure greater consistency across the code change process. We have talked at various industry forums to explain the importance of this and have fed industry views into BEIS and Ofgem.

#### **Supporting our stakeholders**

As well as supporting Ofgem and Government on the Energy Codes review and playing a prominent role in the Energy Data Taskforce, we share our expertise on other industry-wide initiatives, and the work of our stakeholders.

#### **During 2019/20 this has included:**

- Providing Ofgem with our views for their review of the governance framework for the Electricity System Operator
- Sharing our expertise and updates on key Modifications with a wide range of industry associations and their members: Energy UK, ENA, Association for Decentralised Energy, and TechUK amongst others
- Contributing to the development of the BEIS decarbonisation of heat strategy
- Sharing our views with Ofgem and the industry on the development of the Retail Energy Code (REC).

#### **The Retail Energy Code (REC)**

We contributed to the development of the new REC which is expected to support faster, and more reliable switching for consumers. We also had the ability to bid for the role of REC Code Manager, following a recommendation by the BSC Panel and acceptance by Ofgem of P365.

The Retail Energy Code Company (RECCo), which has been set up to ensure implementation and ongoing management of the REC, made a decision to procure services in three lots and included one provider

overseeing the performance of the other two. The proposed structure expressly prevented a single provider from delivering an 'end-to-end' service, which we believe from experience is the optimal model. We believe not having an 'end to end' service for the REC is likely to result in poor, inefficient and ineffective outcomes for energy companies and consumers by introducing additional hand-off risks and associated costs. We therefore took the difficult decision not to bid for any of the lots. For more information see the January 2020 Board Circular from Michael Gibbons, Chairman of Elexon's Board and the BSC Panel.

**“The opening up of the BM is a strong example of how we work in partnership with our stakeholders.”**

#### **Meeting the goals of our 2019/20 business plan**

Our 2019/20 business plan was geared towards actively supporting and participating in a number of work streams that followed on from the Government and Ofgem's Smart Systems and Flexibility Plan. This included supporting innovation and new business models, the development of flexibility markets and getting involved in cross-industry initiatives such as the Energy Data Taskforce.

Overall we believe that during 2019/20 we delivered on the business plan objectives. The opening up of the BM is a strong example of how we work in partnership with our stakeholders. The case we made for flexibility platforms shows how we can make valuable contributions to the emerging policies which will support the electricity system of the future.

Our enthusiastic involvement in the Energy Data Taskforce, and our commitment to embed its recommendations demonstrates how our willingness to share our expertise, and make changes to our own policies to benefit market participants. We have also continued to offer our input on the Energy Codes review, as a simpler set of code arrangements remains one of our key goals to support innovation and the needs of future consumers.



# BSC CHANGE



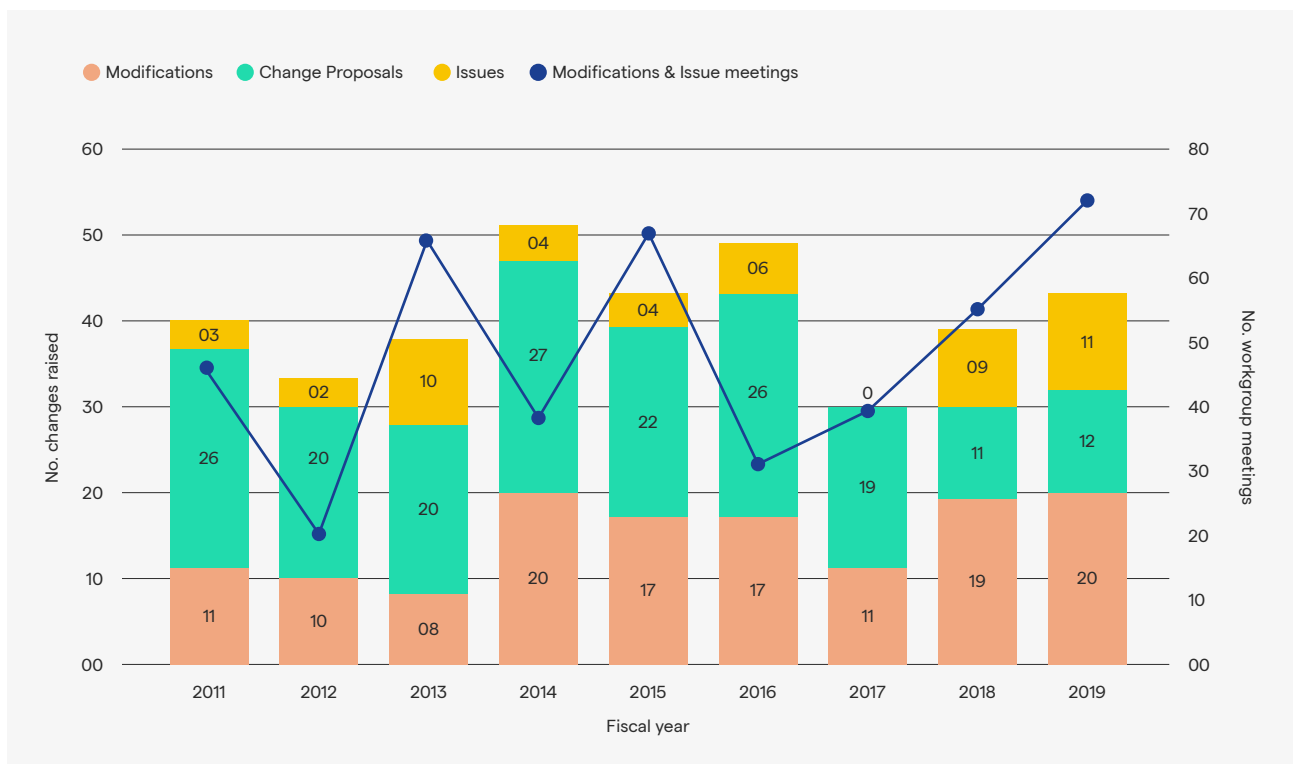
**Total number of BSC changes is increasing**

We start this year’s review with a brief overview of the number of BSC Changes raised in 2019/20 compared with previous years. We will then look at the types of changes that have been raised, how they fit into the evolving electricity market, and the needs of companies operating in it.

During 2019/20 we implemented 16 Modifications and 11 Change Proposals. Modifications change the Code itself and are typically raised by the Panel and BSC Parties. Change Proposals amend the BSC subsidiary documents and over recent years they have largely been raised by Elexon.

Since 2017/18, the total number of BSC changes (including Modifications, Change Proposals and Issues) has increased year on year from 30 a year to 43 a year in 2019/20. The graph below shows this trend and how it compares with the years prior to 2017. The only years in which the total amount of changes raised has been higher than it was for 2019/20 were 2014/2015 and 2016/2017.

The graph shows that since 2017/18 the number of Change Proposals raised has generally declined, but the number of Issues raised has increased. The number of Modifications raised increased between 2017/18 and 2018/19 and remained steady last year.





We believe that the fall in the number of Change Proposals is likely to be because more focus is being put on Modifications and Issues, or simply because Parties have less time and resources to devote to raising changes for consideration. Together with Elexon, the industry is also focusing on larger, more complex changes such as Wider Access to the BM and Project TERRE (which we discuss in detail later) alongside Modifications P379 and P375. Overall this is bound to reduce time available for raising Change Proposals.

Issues are a valuable avenue for developing the Code. They are raised where problems or potential improvements to the current arrangements have been identified, but it's not known how best they should be resolved. The number of Workgroup meetings for Issues and Modifications continued to increase in 2019/20. We believe this is a reflection of the complexity of the changes being progressed. We discuss the important contribution the Issues process makes further on.

The graph below shows the breakdown of the types of Modifications raised during 2019/20 and whether they were raised by the Panel, or by BSC Parties.

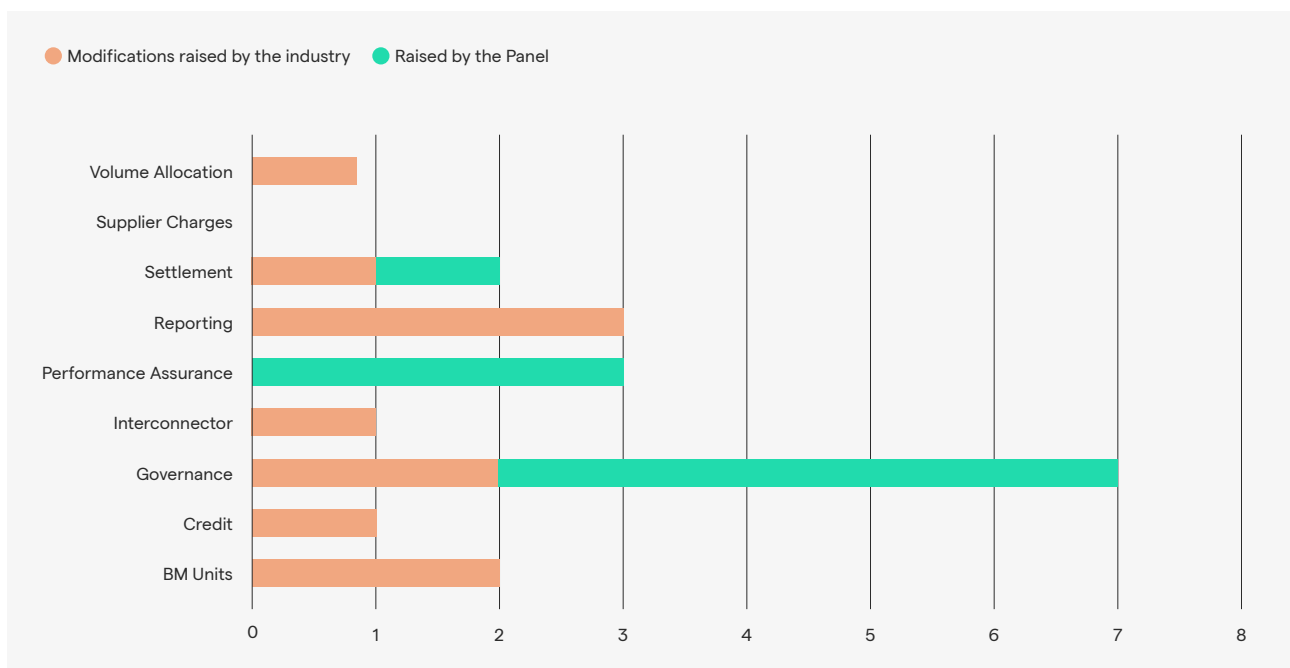
**Modifications raised by the Panel**

The BSC Panel raised nine modifications in 2019/20 as shown on the graph.

Three of the Panel-raised Modifications were recommended by the PAB as an outcome from the [Performance Assurance Framework Review](#). P391 and P393 were raised and implemented during 2019/20. P404 was raised in March 2020 and is awaiting implementation.

We explain these changes below. Generally they allow for easier identification and mitigation of risks to accurate Settlement:

- [P391 'Introducing Desktop Audits'](#). Amended the BSC to expand the scope of the Technical Assurance of Metering (TAM) technique by allowing for Desktop Audits to act as a cost-effective supplement to existing on-site inspection visits. This is an extra tool for PAB to use to mitigate Settlement Risks
- [P393 'Disapplication of Supplier Charge SP01.'](#) The SP01 charge is paid by Suppliers if they do not routinely submit Performance Assurance Reporting and Monitoring System (PARMS) reports to Elexon.



## “Building on last year’s changes that simplified and improved the efficient operation of the BSC, 2019/20 has seen further governance improvements.”

Supplier Charges are meant to compensate Parties that are disadvantaged by those who aren’t meeting defined standards. As non-submission of PARMS reports does not directly disadvantage other Parties, the charge was removed as part of the February 2020 BSC release so that Supplier Charges focus on the other PARMS Serials, SP08 and SP04

In a further development, the BSC Panel raised Modification P406 in April 2020 to reduce the charges for SP08 and SP04 to zero from March 2020 until further notice to help Suppliers manage the impact of COVID-19. P406 was approved by Ofgem and was implemented in May 2020. It is part of the package of support for the industry to manage the impacts of lockdown as mentioned in the Chairman’s report. P406 is not one of the nine Modifications that the Panel raised (referred to above), as it falls outside the date range for the annual report). More detail on P406 is available on our website

- [P404: ‘Moving the Self Assessment Document and associated documents from BSCP537 and making them a Category 3 BSC Configurable Item’](#). P404 will allow the BSC Qualification process to be more easily updated in response to changing BSC obligations and risks. This will help Suppliers and their Agents who must qualify to operate under the BSC.

### Continued simplification and improvement of the BSC Arrangements

Building on last year’s changes that simplified and improved the efficient operation of the BSC, 2019/20 has seen further governance improvements. Five governance Change Proposals were raised by the Panel during the year, some have been implemented already, others are still progressing.

Some of these changes have made simple improvements to streamline the BSC arrangements and improve the change process. Others are more fundamental and seek to support the development of the future, data-driven energy system, or address potential issues with the BSC arrangements.

### The five governance changes are:

- [P387 ‘Allowing email communications for the BSC Panel Elections process’](#) (raised and implemented during 2019/20) allows communications between Parties for the BSC Panel members’ election process to be carried out via email. Previously, notices needed to be issued via post or fax
- [P394 ‘Removal of Unused BSC Provisions’](#) (raised and implemented during 2019/20) removed over 50 pages of redundant or obsolete BSC text
- [P400 ‘BSC Panel Modification Business via Video/Teleconference’](#) allows the BSC Panel to make decisions on Modifications via tele/video conference. P400 was implemented in April 2020. Since April BSC Panel meetings have taken place using video conferencing and will continue as such for the foreseeable future
- [P401 ‘Governance arrangements for BSC Panel Alternates’](#) (raised and implemented during 2019/20). Quoracy is a requirement in the BSC for a set number of people to attend BSC Panel meetings to legitimise decisions that are made. P401 clarifies arrangements for BSC Panel Alternates and how they contribute to quoracy and voting at Panel meetings. This will help to address ambiguity within the existing arrangements
- [P398 ‘Increasing access to BSC Data’](#) (raised in December 2019 and is in the assessment process). As explained in the Business Review section, P398 process that all data held by Elexon and BSC Agents is assumed to be openly available unless the Panel decides that there is a specific reason why it should not be. We believe that Elexon is the first code administrator to proactively take steps to adhere to the open data principle.

In addition, two proposals for BSC governance changes were raised by industry Parties during 2019/20.

- [P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions'](#) aims to speed up the process for Elexon to take on additional work where there would primarily be benefits to BSC Parties. In the past, specific Modifications needed to be raised to allow Elexon to undertake additional work, for example, P365 'Enabling Elexon to tender for the Retail Energy Code (REC)'. Raising individual Modifications to extend our vires is time consuming and adds extra burden onto the industry participants who engage with the process. P390, which is currently with Ofgem for decision, would allow Elexon's Board to identify additional activities that Elexon can undertake provided certain conditions are met and are given the consent of Ofgem. The Board would need to consult BSC Parties before Ofgem takes a decision.
- National Grid ESO also raised [P392 'Amending the BSC change process to incorporate the delegation of National Grid ESO's powers and obligations under the EBGL to change EBGL Article 18 terms and conditions'](#). P392 is currently with Ofgem for decision and the proposal is explained in more detail in the European Developments section of this annual report.

### Improving the provision of data and supporting wider reforms

A number of Modifications have been raised which involve provision of additional data to the energy market, and also to support wider sectoral reforms. These Modifications (discussed below) are still in the early stages of assessment.

Following the conclusion of its [Targeted Charging Review](#) into residual network charges in December 2019, Ofgem directed National Grid ESO and certain Local Distribution System Operators (LDSOs) to make changes to how residual revenues are recovered through Distribution Use of System (DUoS) and Transmission Network Use of System (TNUoS) demand charges. National Grid subsequently raised Modification [P402 'Enabling reform of residual network charging as directed by the Targeted Charging Review'](#). P402 will introduce new reporting requirements on LDSOs and Elexon, which will ensure the provision of data to National Grid ESO. This is so National

Grid ESO can set TNUoS demand residual tariffs in line with Ofgem's reforms, and enable accurate billing of subsequent charges.

Finding ways to improve transparency in the energy sector is important for improving confidence in the market arrangements. Currently, each action that National Grid ESO takes outside the BM to keep the system in balance is reported with a unique number. However, the counterparty to each trade with National Grid ESO is not identified, which creates an information advantage to those counterparties who have traded with National Grid ESO. P399 'BSAD Identity Visibility' proposes to level the playing field between publicly available data on BM and non-BM trades, so that market participants can identify the organisations (and which assets) are providing these additional non-BM balancing services.

Elexon provides data on Suppliers' gross electricity imports to its subsidiary, EMRS for the calculation of the charges to Suppliers, which fund payments to generators for the Capacity Market (CM) and Contracts for Difference (CfD).

Due to the automated nature of the data provision, the information Elexon provides includes volumes of electricity supplied to customers, and volumes supplied solely for use on site by generators. Generators use this electricity to keep the lights on and systems running, and for other operational reasons.

The Government and Ofgem have made clear that electricity used by licence-operated generators falls outside the definition of 'Supply'. EMRS has since had a workaround in place so that volumes used by generators on site are not included when calculating the Supplier charges. Modification [P395 'Excluding generators from BM Unit Gross Demand and the calculation of EMR Supplier Charges'](#) proposes to put a more robust and enduring solution in place.



### BSC Charges for Interconnectors

From November 2020, all other BSC Trading Parties other than Interconnectors will have to pick up the majority of BSC costs that were previously attributed to Interconnectors. This results from implementation of [P396 'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units'](#) proposed by Nordpool.

Currently, interconnector users in GB are liable to pay BSC costs in proportion to their BM Unit metered volumes. However, EU legislation requires that interconnectors are treated as part of the Transmission System. The BSC Panel recommended that Ofgem reject this proposal as they believed it would put GB generators at a disadvantage compared with their European counterparts. Ofgem disagreed with the Panel and decided that BSC costs can be considered as network access costs and should therefore not be charged to Interconnectors, to align with European legislation.

### How the BSC reacts to new developments and changing scenarios in the electricity market

It is important that the BSC can respond to issues that impact on the costs that Parties face in the market. The business review explained that a key BSC change introduced in February 2020 was [P385 'Improving the efficacy and efficiency of the Section H Default provisions'](#). The P385 changes are an important evolution for the BSC in response to the numbers of Suppliers (16) that have exited the market in the last two years. The changes provide extra protection for BSC Parties and consumers.

In August 2019, a significant power outage resulted in the loss of electricity supply for around one million consumers. Following this, the BSC Panel raised [P397 'Assessing the costs and benefits of adjusting Parties' Imbalances following a demand disconnection'](#). The Panel was concerned that the benefits of operating the Settlement Adjustment Processes (SAPs) following a demand control event (where National Grid ESO disconnects supplies or reduces demand to maintain the stability of the system) may not warrant the cost of running them. Elexon consulted on the proposal in December 2019. Ofgem has since asked for further evidence to help inform its decision on P397, which is being gathered via Issue 89.

### Effective use of the BSC Issues process

The BSC contains an 'Issues' process to define potential issues or solutions before an actual change is made. The use of the Issues process has been increasing. This is a positive development as sometimes it has resulted in a solution being delivered without the need for a formal Modification, which saves time.

A good example of this was the [BSC Issue 84](#) industry Workgroup, which was convened by Elexon in July 2019. This Workgroup discussed whether the operational costs for the provision of the Radio Teleswitching Service could be recovered under the BSC from April 2020.

The group concluded that these costs could be included within the BSC charging arrangements without the need for a formal Modification. This whole process took around two months. Contractual changes were then introduced in time, so that the charges could be recovered from BSC Parties from 1 April 2020.

Elexon raised Issue 86 in October 2019 which supports one of the largest reform programmes for the retail market – Ofgem's [Faster Switching Programme](#). As part of this programme, two retail codes will be consolidated into the new REC and a new centralised switching service will be set up. Elexon, on behalf of the BSC Panel, provided Ofgem with proposed changes to BSC processes to support Ofgem's Significant Code Reviews on Switching, and Retail Code Consolidation, which will help the BSC's interaction with the REC. The result of Issue 86 is likely to see a number of Modifications to amend BSC processes being raised during 2020/21.

**“Project TERRE is a major, Europe-wide programme designed to establish a new replacement reserve balancing product in participating countries.”**

**Implementation of P344 ‘Project TERRE’ – the biggest ever BSC Change**

During 2019 Elexon implemented [P344 ‘Project TERRE’](#), the single biggest Modification in the history of the BSC in terms of the breadth and depth of the changes made.

Project TERRE is a major, Europe-wide programme designed to establish a new replacement reserve balancing product in participating countries.

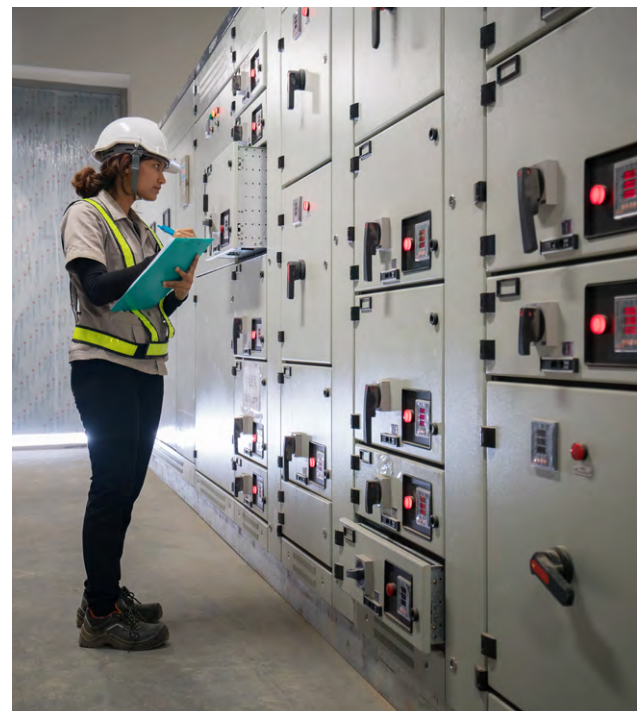
The Chairman’s report highlighted how one key aspect of this – the go live of the Wider Access arrangements for the BM - is an important step forward towards the smarter electricity system.

**P344 was introduced in three stages:**

- Stage one – implementation of the legal text for the change in February 2019
- Stage two - ‘Wider Access’ allowed VLPs to participate in the BM from December 2019
- Stage 3 - allowing Parties to participate in Project TERRE, implemented in May 2020. (Note that due to the impact of COVID-19 National Grid ESO has announced a delay for GB participation in Project TERRE until October 2020 at the earliest).

Due to the complexity of the P344 changes and the deadline (of December 2019) for completing implementation of the Wider Access reforms, some issues needed to be fixed post implementation. Since December, National Grid ESO has raised three Modifications to do this. P386 and P388 have been implemented and P403 has been approved by Panel and was implemented in May 2020. The changes are described below.

- [P386 ‘Corrections and clarifications to the P344 ‘Project TERRE legal text’](#) corrected a number of drafting issues and added clarity to some areas of the text
- [P388 ‘Aligning the P344 and P354 Solutions’](#) has aligned and simplified legal text for P344 and P354
- [P403 ‘BSC Arrangements in the event that the TERRE Market is suspended by National Grid ESO’](#) provides Market Participants with clarity on how the BSC arrangements will operate in the event that the TERRE Market arrangements are suspended.





# EUROPEAN DEVELOPMENTS





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## Brexit and future trade agreement negotiations

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**The UK exited from the European Union on 31 January 2020. Therefore, for much of 2019, Elexon has been preparing for various possible outcomes including a ‘no deal’. We have also worked to implement major changes that pave the way for Project TERRE, as mentioned in the BSC Change section of the report.**

We have worked alongside key stakeholders to consider how the BSC can support implementation of European regulation to harmonise electricity markets. We have also been sharing our expertise on how the BSC may need to be amended, in some cases, to support these changes.

In the initial deal reached between the UK and the EU, during the remainder of 2020 (the transition period) we continue to be bound by EU laws and decisions.

Formal UK–EU future trade agreement negotiations started in March 2020 but we understand that the global COVID-19 pandemic has affected progress. It is unclear how requirements set out in current EU electricity laws will impact GB beyond 2020. The current requirements may or may not apply to GB, dependent on the outcome of the negotiations.

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## Planning for the implementation of EU network codes and guidelines in GB

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**We have continued to update our cross-code European Network Code implementation plan each month. This plan is available on the [EU page](#) of our website.**

We have also continued our membership of both the Association of European Energy Exchanges (Europex) and Energy UK. Our European Coordination Manager, Steve Wilkin, sat on the pan-European Market European Stakeholder Committee as a Europex representative alongside other European stakeholders, and also on Energy UK’s European Committee on behalf of Elexon.



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# European Electricity Balancing Guideline (EBGL)

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**The implementation of the EB GL into the BSC arrangements continued to drive the majority of Elexon's European work this year.**

**Terms and conditions for balancing service providers, balance responsible parties and the BSC process for changing those terms and conditions (EB GL Articles 4, 5, 6, 10, 13 and 18).**

During much of this year, Elexon and National Grid ESO worked on proposals for the terms and conditions for balancing service providers and balance responsible parties, which were mapped to, and therefore included in, parts of several existing GB codes, including the BSC. Ofgem [conditionally approved the proposed terms and conditions in October 2019](#).

During much of this year, Elexon and National Grid ESO worked on proposals for the terms and conditions for balancing service providers and balance responsible parties. These terms and conditions were included in several existing GB codes, such as the BSC. Ofgem conditionally approved the proposed terms and conditions in October 2019.

Once the terms and conditions were approved by Ofgem, we again worked collaboratively with National Grid ESO on the change process for the new terms and conditions. BSC Modification [P392](#) was raised by National Grid ESO in October 2019 with the goal of having only one amendment and one consultation process which would both satisfy the BSC and EB GL requirements.

The solution set out in P392 was reliant on certain tasks being carried out by the same bodies responsible under the existing BSC change process. In February 2020, National Grid ESO wrote to Elexon delegating some of its tasks relating to the EB GL change process to Elexon and the BSC Panel.

The delegated actions and P392 combined will ensure the legally separate BSC and EB GL change processes are fulfilled by a single Code Manager. The actions became effective when P392 was implemented on 25 June 2020.

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

One of the legal requirements of the EB GL is for European Transmission System Operators (TSOs) to design and build arrangements for sharing different types of balancing energy. One such legal requirement is to introduce Project TERRE in which National Grid ESO is participating alongside certain European TSOs.

The formal legal deadline for the implementation of TERRE was December 2019. However, as the French electricity transmission system operator RTE announced that it would not go live in December 2019, in June 2019 National Grid ESO raised a derogation request with Ofgem to delay its participation in the Project TERRE balancing product for up to one year. At that time, we said we would deliver the P344 Wider Access changes by December 2019, regardless of whether GB participation in TERRE was deferred.

In November 2019, [Ofgem granted](#) the derogation and required National Grid ESO to start using the TERRE platform by whichever of these dates comes soonest:

- 30 June 2020
- By the time RTE, starts using the TERRE platform
- By the time RTE makes its cross-zonal capacity available for exchange.

LIBRA, the European software platform to be used for TERRE went live in January 2020. By early April 2020, two of the eight participating TSOs had joined (covering the Czech Republic and Spain) with the rest joining in waves until 2021/22. In April 2020 National Grid ESO issued a statement saying it was delaying making the necessary changes to support Project TERRE until October 2020 at the earliest, due to the impact of COVID-19. At the end of May 2020 Elexon implemented the technical changes necessary to enable Parties to use LIBRA, in readiness for GB participation in Project TERRE.

**MARI (Manually-activated Frequency Restoration Reserve)**

The second of the EB GL projects to be introduced into the GB market will be project [MARI](#).

European national energy regulators referred the decision on MARI implementation proposals made by TSOs to the Agency for the Cooperation of Energy

# European Electricity Balancing Guideline (EBGL)

(Continued)

Regulators (ACER). [ACER made three decisions](#) in January 2020, one approving project MARI, and others on the methodology for pricing balancing energy, which covers the MARI and TERRE clearing prices. ACER's approval of MARI starts a 30-month timeline to legal implementation, which would also apply to GB and the BSC, but only to the extent that UK-EU agree to this following the Brexit transition this year. If this is agreed, we would need to implement MARI by July 2022. This would require a BSC Modification.

## Activation of Balancing Energy (EB GL Article 29)

In March 2020, ACER ran a public consultation on the [classification of balancing energy activation purposes](#). This is essentially flagging the purpose of activation, similar to System Operator activation flagging in GB, which is needed to determine the imbalance price.

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

Article 52 of the EB GL requires all TSOs in the European Union to make harmonisation proposals for key elements of imbalance Settlement. During this year, Elexon continued to support the ENTSO-e working group tasked with developing this proposal.

In March 2020, ACER ran a public consultation on imbalance Settlement harmonisation. We expect ACER to decide on this proposal in summer 2020. The legal implementation deadline for harmonisation would be 18 months following approval by ACER. Subject to the outcome of the UK's future trading agreement with the EU, a BSC Modification to support implementation will be required.





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## European Network Code on Emergency and Restoration (NCER)

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**The NCER sets out rules for managing the electricity transmission system in emergency and blackout situations. The principle objective is to bring the system back to a normal state after such an event. The NCER has the potential to impact on the Black Start provisions in the BSC.**

During the year, and as required by the NCER, National Grid ESO made several proposals to Ofgem for approval. As with the EB GL Article 18 proposals, some of these proposals for terms and conditions and rules were mapped to parts of the BSC, and would therefore be included in the BSC once approved.

The proposals that interact with the BSC are:

- Terms and conditions for system defence providers and system restoration providers (NCER Article 4)
- Rules for market suspension and restoration (NCER Article 36)
- Rules for imbalance Settlement during market suspension periods (NCER Article 39).

If Ofgem approves these proposals, two BSC Modifications will be needed to:

- Align BSC and Grid Code if the TERRE market was ever suspended
- Reflect new, additional market suspension triggers proposed by the ESO.

We gave a view to National Grid ESO on BSC changes that would be needed, which resulted in them raising Modification P403 as mentioned in the BSC Change section. In January 2020, we sought further detail on the market suspension triggers in our [consultation response to ESO](#).

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## European clean energy package legislation

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**The final parts of this legislation came into force in July 2019. We had been party to the development of these laws via BEIS, and our membership of Energy UK and Europex.**

The two most significant parts for the BSC were the new Electricity Regulation, which took effect from 2020; and the Electricity Directive, which the UK Government is bound to transpose into UK law during 2020. We analysed the detail of both parts to determine any impacts and what BSC Modifications may be required. We shared this thinking with BEIS, Ofgem and National Grid ESO.

In September 2019, National Grid ESO published [its assessment](#) of what would need to change in the GB framework. More detail on the potential impacts from the Electricity Regulation on the BSC are set out below.

### **15-minute settlement (Electricity Regulation, Article 14)**

The new Electricity Regulation requires that the imbalance Settlement period shall be 15 minutes by 1 January 2021. It is possible for national regulatory authorities to grant exemptions or derogations, and in May 2020 Ofgem announced that it had decided to grant [the exemption](#) for GB.

Ofgem was required to do a joint cost-benefit analysis (CBA) with ACER to grant the exemption and Ofgem completed this in February 2020, basing it on an update to the 2016 Frontier Economics version. The results did not show significant change (from negative evaluation of the proposed change in 2016). Ofgem will need to carry out a new CBA 'at least every three years' according to Article 53 of the EB GL. Ofgem's decision letter also says that it is important that industry ensures that any new system can cope with both a 15-minute and 30-minute imbalance Settlement Period when there is a low cost of doing so.

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

The new Electricity Regulation requires that the Settlement of balancing energy shall be based on marginal pricing (pay-as-cleared) unless regulatory authorities approve an alternative pricing method. National Grid ESO announced in February 2020 that it was seeking a derogation from Ofgem, from this requirement. This is to avoid having to settle the BM (and their own bilateral 'balancing services')

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## European clean energy package legislation

(Continued)

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at a clearing price (moving away from the current pay-as-bid mechanism). If a derogation is not granted, substantial work will be required including Modifications to the BSC.

### **Bidding Zone review (Electricity Regulation, Article 14)**

Bidding zones are, in essence, areas in Europe in which a single wholesale electricity market price applies. GB is currently one, single, bidding zone. Any split or merger of the GB bidding zone with others would have significant impacts on the BSC, so we continued to monitor developments driven by the European bidding zone review during the year. In October 2019, ENTSO-E published the bidding zone review methodology required by the Clean Energy Package.

ENTSO-E proposed that the whole of GB continues to be treated as a single bidding zone. However, the final decision on the bidding zone review methodology is now anticipated to go to ACER for decision.

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## New European network codes

**In February 2020, the European Commission issued a [consultation on the possibility of new Network Codes being developed](#).**

It consulted on two in particular and we are providing our views via Energy UK and Europex:

- A new network code on cyber-security (including for cross-border electricity flows) to be developed from this year (2020) onwards
- On demand side flexibility – for development from 2022.



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

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**We have continued to host the GB electricity REMIT Inside Information Platform (IIP) on our BMRS website. In the BMRS section of the annual report you can read more about how this service is being used. During 2019/20 we talked to ACER whenever it has suggested potential changes in requirements from such platforms across Europe.**

In its July 2019 Quarterly REMIT Report, ACER announced that no changes to electronic inside information formats would be required in 2019, despite having earlier consulted on changes.

In December 2019, ACER advised that these changes 'had been postponed until further notice' due to lack of resources. This will also allow ACER to assess IIP compliance with the requirements for platform web feeds. ACER asked Elexon to have its REMIT IIP re-assessed as a RIS alongside all other currently listed European IIPs. This is because use of IIPs will become mandatory from July 2020. ACER plans to publish an updated list of compliant IIPs by May 2020. Elexon has submitted the REMIT IIP to ACER for re-assessment.

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## European transparency regulation

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**Elexon continues to fulfil the requirements of a data provider to the European Transparency Platform under the European Transparency Regulation. On behalf of National Grid ESO we send the required data for the GB electricity industry, except that relating to Interconnectors.**

BSC Modification [P384](#) was raised by National Grid ESO in March 2019. This followed on from ENTSO-E proposals to change the data requirements for the European Transparency Platform and aimed to ensure that the BSC remained compliant with both the EB GL and European Transparency Regulation. It was approved, and then implemented in December 2019.





# WORKING FOR CUSTOMERS



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# Customer operations

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

We tailor our services to meet the needs of our customers and we offer our expertise and guidance on a range of issues. We also offer training, in person or via webinars, on a range of subjects and our 'Introduction to the Energy Market' seminars continue to be popular. We speeded up the production of [webinars](#) for the subjects covered in this seminar, as soon as it became evident that the COVID-19 lockdown would affect our on-going ability to host these sessions in person. Our aim was to facilitate the provision of the seminars to our customers while their teams are working remotely.

We continue to publish a variety of reports analysing trends in the market and we closely monitor performance of BSC Parties. In addition we published an Insight Article into the impact the COVID-19 lockdown was having on customer demand. Our regular reports include the System Price Analysis Report, BSC Operations Headline Report, and the Smart Meter Technical Detail (MTD) Report. The links to these reports are published in Newscast, our weekly newsletter. The online sign up form to receive Newscast is available on [our website](#).

During 2019/20 we:

- Held 45 meetings with potential new entrants giving them the opportunity to understand the BSC and how it works, before they consider acceding to it
- Helped 40 customers accede to the BSC (formally signing the contract to participate)
- Completed 37 Registrations where companies underwent the market entry process and are registered in a role (for example, as a Supplier or a Generator). This includes two new VLPs, Flexitricity and Cenergise
- Ensured that 14 Parties left the market smoothly (not including the six companies that exited through SoLR)
- Managed 24 qualification applications and six re-Qualifications.

We carried out 160 meetings and 859 teleconferences with customers, led by our Operational Support Managers (OSMs). The OSMs offer comprehensive ongoing support to BSC Parties right from the point when they are looking to enter the market. We assign an OSM to each BSC Party so that they receive a dedicated service. We are investing further in training our OSMs and encouraging them to gain a greater understanding of the needs of our customers.

During 2019/20 we conducted 88 training sessions for customers covering a variety of topics such as:

- Imbalance Settlement
- Management and Resolution of Estimated Annual
- Consumption and Annualised Advance
- The Performance Assurance Reporting and Monitoring System (PARMS)
- Credit and trading disputes.

**“We tailor our services to meet the needs of our customers and we offer our expertise and guidance on a range of issues, we also offer training, in person or via webinars.”**

# Improving the BSC website

Over the last year we have introduced a number of content and functionality improvements to the BSC website with the aim of improving the customer experience.

Improvements to the website include:

- Developing the site-search functionality and results
- Creation of a [new data area](#) on our website which provides an overview of all the electricity market data sets we make available. We are also making data from a key Settlement report (SAA I014) freely available on our website which was previously only provided to BSC Parties
- A new page layout for Modifications and Change Proposals to make it easier for our customers to find information.

We have also been looking at how our customers use the website when they visit it, based on analytical data and customer engagement feedback. This is so that additional developments clearly meet customer needs.

To help customers get a more personalised experience when they visit the website we are testing an email alert service so they can select alerts from pages that they want to follow. Feedback from our 2019 customer survey showed that our customers want the information they receive from us to be more targeted. We believe that the alert service will help to achieve that.

## Elexon's commitment to improve communications

Elexon is a corporate member of the Plain English campaign. We are working to improve all our communications by making them clearer and simpler to understand. This includes reports, regular updates to customers and website information. All Elexon staff are taking courses provided by the Plain English campaign to help reach this goal.

The insights we received into how our customers use the Elexon website have shown that the website glossary is an important area for redevelopment. We have started a project to include plain English explanations of the terms used in the BSC to compliment the legal definitions in the code itself. This project also aims to improve the digital glossary links from web pages where complex terminology is referenced.

We have worked with a leading publisher to produce the [‘Balancing Settlement Code for Dummies’ guidebook](#). It provides customers with a simple overview of the BSC and the wholesale electricity market arrangements. The book was launched in May 2020 and is a first for any of the industry codes. It received the Plain English campaign’s Book Mark accreditation which confirms that the guide’s clarity has been independently assessed by an expert from the campaign.





# 2019 customer satisfaction survey shows three-year high for customer satisfaction

**A key part of our strategy is to continue delivering our services under the BSC to leading standards among code administrators. To measure how we are performing, we commission an annual survey by an independent company where we ask our customers to rate our performance.**

The latest survey, carried out between September and October 2019, showed that overall satisfaction with our service has hit a three-year high of 71% (where 71 per cent of respondents rated our service eight or more out of 10). This is our highest score since 2016, and is up seven points on 2018.

Almost 70% of our customers would speak highly of Elexon if asked. We also achieved our highest ever score for value for money for our services since we started carrying out the annual surveys in 2003. More than 80% of respondents said they are satisfied with the OSM service, an increase of nine per cent on last year. Respondents also recognised the changes Elexon has made to the Performance Assurance Framework (PAF), which drives improvements in the accuracy of Settlement.

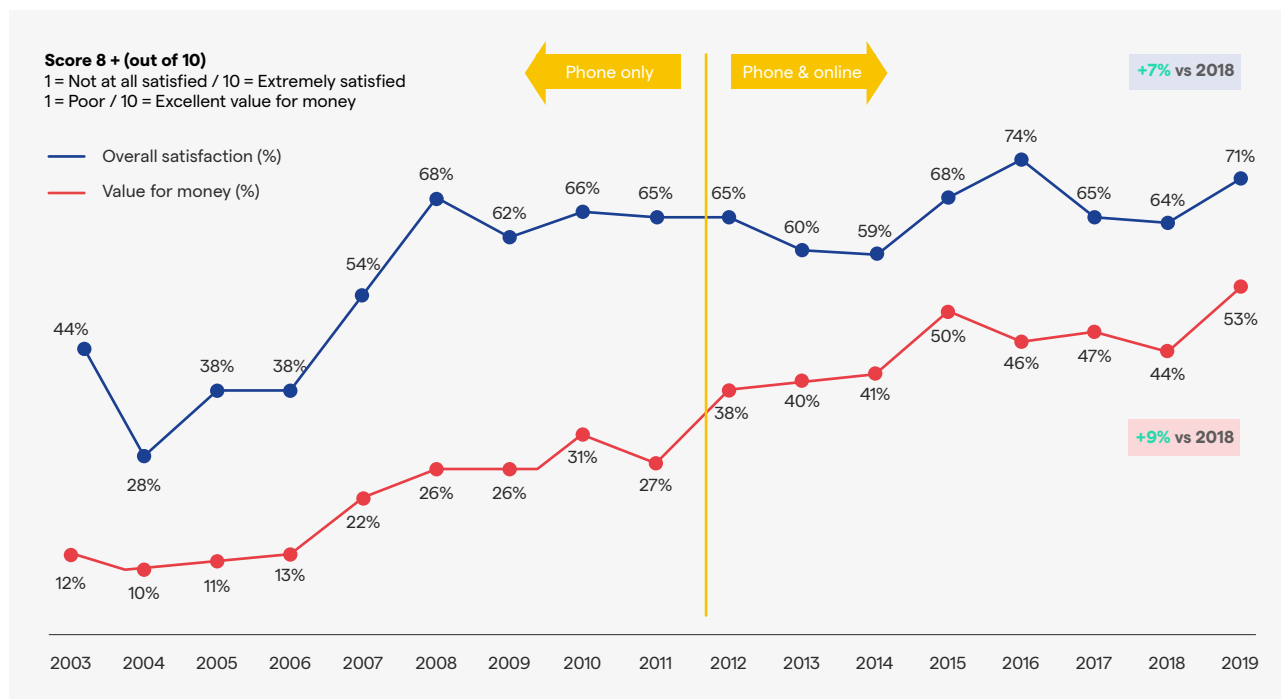
We continually look at how we can improve our overall service and the survey provides important feedback on the areas our customers want us to focus on.

The latest feedback shows that our customers want us to:

- Raise awareness of our major programmes including the [PAF review](#) and our new digital platform
- Improve the service and user experience that we deliver through the BSC Service Desk and the [Elexon Portal](#)
- Simplify our communications so that we give clearer explanations, for example on proposals to change BSC rules.

We are now identifying actions we can take in these areas so that we continue to offer 'best in class' performance among code administrators. More details of the survey results are available on [our website](#).

The graph below shows our progress on improving customer service and the 'value for money' rating customers give for our services.



# Elexon tops Ofgem's Code administrators' performance survey for the third year in a row

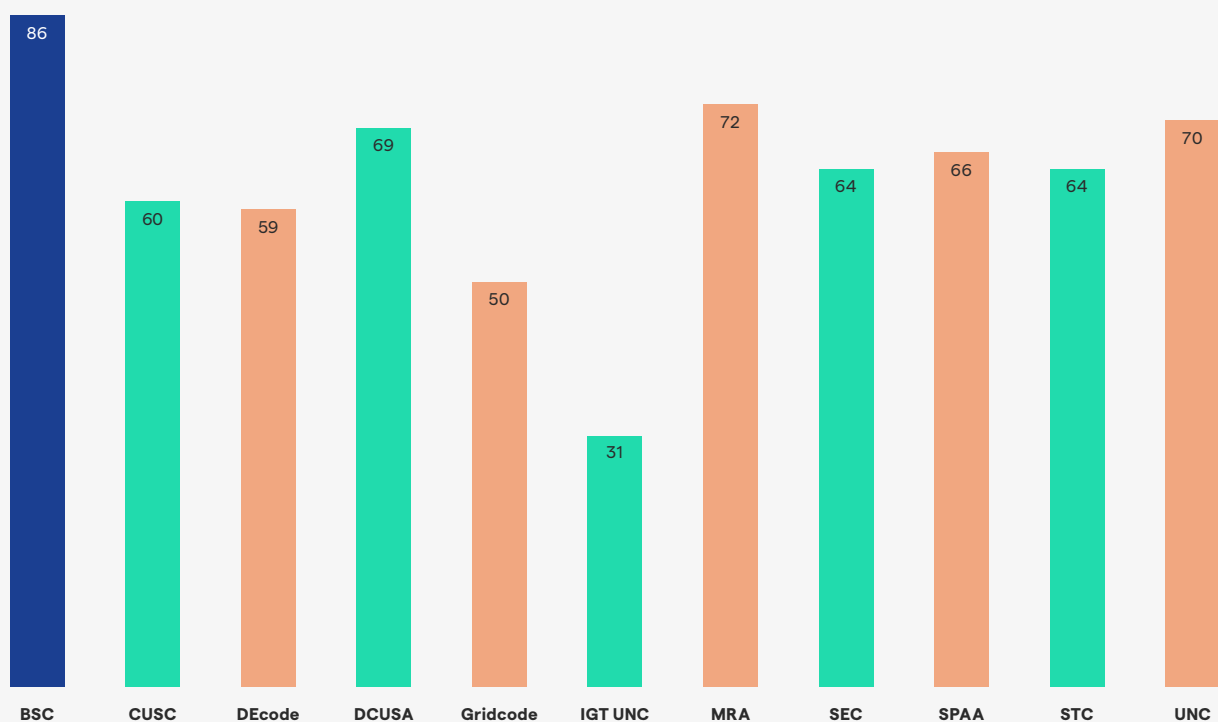
**We came top of Ofgem's 2019 energy code administrators' performance survey for the third year in a row, with 86% of respondents saying they are satisfied with our performance.**

The survey was carried out for Ofgem between May and August 2019 by independent researchers, based on feedback from more than 200 industry stakeholders.

The overall satisfaction score across all code administrators (being the sum of all administrator's scores) was lower in 2019 compared with previous years (63% in 2019, compared with 70% both in 2018, and 2017). However, Elexon was the only code administrator whose score did not decline. The sector is going through unprecedented change and therefore we believe that survey feedback shows that code administrators must work harder to meet the needs of customers as the system continues to evolve.

In the long term we also believe that consolidation of code bodies and simplification of the energy codes can help to improve satisfaction levels. Overall, it will make it easier for existing companies and new entrants to navigate the codes, providing more consistent practices and a quicker process for changing code rules. To see the results of the 2019 code administrators' performance survey visit [Ofgem's website](#).

The graph below compares customer satisfaction across the 11 major energy codes in Ofgem's 2019 code administrators' performance survey. It shows that 86 percent of respondents said they were satisfied, or very satisfied with Elexon's overall service provision.



# Electricity Market Reform Settlement Services

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

EMRS delivers Settlement services for both the Capacity Market (CM) and the Contract for Difference (CfD) schemes. The costs of running EMRS are borne by LCCC and ESC and not by BSC Parties. However, because EMRS occupies the same premises as Elexon and uses Elexon's shared services, the roles of some Elexon colleagues also include support for EMRS. EMRS makes a fair contribution to these costs based on headcount. This resulted in LCCC making a contribution of £839k to the shared fixed costs in 2019/20, which would otherwise have been borne by BSC Parties.

LCCC and ESC reviewed the EMRS contract in 2019 using independent consultants. Based on their findings that the service represented good value for money, together with EMRS' strong track record of service delivery and system implementation, the review successfully concluded and the contract will now continue until 2026.

The CM restarted in Britain following a [European Commission decision](#) in October 2019 that the CM is compatible with State Aid rules. Following this, EMRS also managed processes to ensure that more than [£1bn in deferred payments](#) relating to the standstill period for the CM were collected and paid to capacity providers in January 2020.





# Our digital platform

**Our digital platform will modernise the technical architecture of the BSC central systems. We have adopted a phased approach to delivering it to minimise the overall cost and risk to BSC Parties.**

On completion, our new flexible, scalable platform will provide digitalised market entry, customer account management, Settlement and data insight services. The platform will respond to the needs of our customers in the rapidly evolving energy market.

## The Customer Solution

The Customer Solution is a key feature of our new platform and it will enable existing parties to self-manage their accounts. During the year, we continued to enhance the digital market entry and exit processes along with account management functions. This is turning the 'end-to-end' customer journey into a streamlined, online, experience.

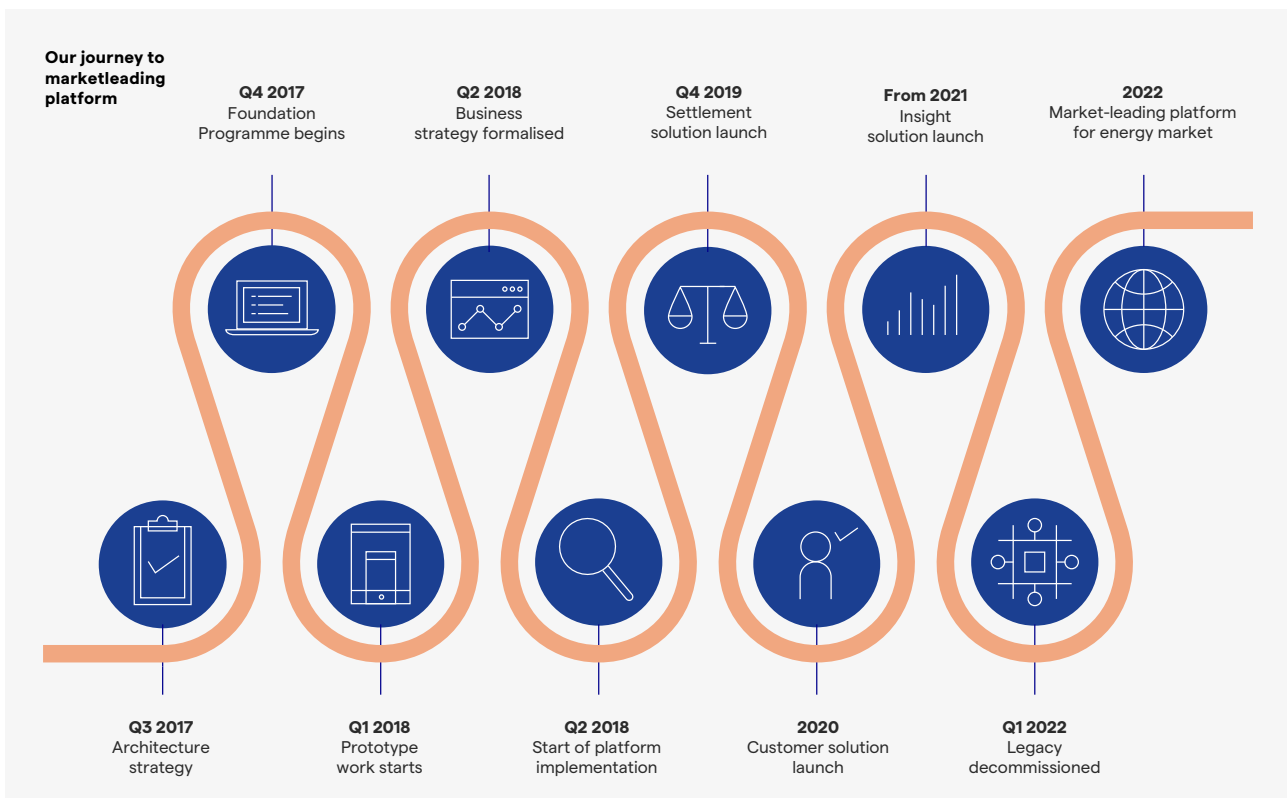
We launched the Customer Solution internally within Elexon in July 2019 and have continued to scope the increased level of digitalisation needed for various

customer steps and processes. This is to ensure that the system is capable of supporting automated workflows and of providing guidance and "help features" ahead of an external launch. The Customer Solution speeds up market entry along with the asset registration processes. Once deployed this will be the best-in-class industry system for managing all customer data in one place.

## The Settlement Solution

The Settlement Solution performs scalable, flexible and modular electricity Settlement calculations. We deployed it as part of the 'Wider Access' aspects of the December 2019 Modification P344 release (see the European Developments and BSC Change section of this report for more detail).

Digitalising our Settlement processes reduces human dependency and the need for manual interventions, which in turn increases efficiency. In December 2019 we implemented the new Supplier Volume Allocation Agent (SVAA) capabilities needed to support 'Wider Access' in P344.



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# Our digital platform

(Continued)

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In April 2020, the [P354](#) changes (Applicable Balancing Services Volume Data - ABSVD) were also deployed as micro-services on to the new Settlement solution. Micro-services are applications comprising smaller, modular services that enable independent flexibility and scale. In this case those micro-services were for the SVAA capabilities needed to support ABSVD.

The new design introduced a Settlement operator portal, which gives users live updates and data for various stages of the Settlement process. The new design will also play a pivotal role in automating and streamlining execution of all Settlement Runs. Following the successful launch of the Settlement solution, we are now in the process of scoping the future migration of our agent Settlement services onto the platform.

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## The Insights Solution

The Insights Solution will receive, process and publish data and analysis to aid business and industry decision-making. It will involve re-platforming our BMRS through a phased approach over several years. We have been scoping this during 2019/20.

The Insights Solution will enhance our understanding of data and how we can best use our data insights to benefit the industry. It will also provide the basis on which to build new capabilities, and options for developing services using different technologies. Elexon will build the Insights Solution with due attention to governance and security considerations.



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# 2019/20 BSC Audit

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

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

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

The COVID-19 outbreak has impacted the completion of the BSC Auditor's fieldwork testing, which supports its 2019/20 ISAE 3000 Opinion.

At its May 2020 meeting, the BSC Panel approved a revision to the timescales of the report delivery. The ISAE 3000 Opinion will be finalised remotely and be delivered to PAB at its September 2020 meeting, and to the BSC Panel at its October 2020 meeting. This is subject to any updated information that may further delay finalising the ISAE 3000 Opinion. The delay in the delivery of the ISAE 3000 Opinion allows Parties to prioritise critical business as usual work as they manage the impact of COVID-19.

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

The 2019/20 audit has identified no substantial change in the quantity and impact of findings affecting Settlement in the SVA market. There were 205 material findings across the Performance Assurance Parties (PAPs) in scope for testing (compared to 208 last year). The nature of those findings continues to evolve though.

### **Areas of Improvement**

As a result of using various Performance Assurance Techniques there has been a significant decrease in the number of findings in the process for Suppliers to appoint Agents. (Suppliers appoint agents to install meters, collect consumption data and process it into Settlement). This continues a trend of improvement over the last four years, reflecting effective actions being taken in response to findings raised.

The process for Commissioning of Metering Equipment has also improved significantly in 2019/20 in response to successful intervention through the Error & Failure Resolution (EFR) process.

### **Emerging Trends**

This year the number of material findings relating to the sending of Meter Technical Details (MTDs) (which are needed to ensure meters are accurately identified for Settlement) has more than doubled (from 24 in 2018/19 to 53 in 2019/20). This is mainly in relation to Change of Agent (CoA) and Change of Supply (CoS) processes.

Elexon and the BSC Auditor are investigating the root causes of this increase and will focus on reducing these numbers in the 2020/21 period.

### **Concentration of Findings**

This year, 47% of all material findings were raised at just six PAPs, which is less than eight per cent of PAPs tested. And by role, the SVA Meter Operator Agents account for 46% of all material findings, largely spread across just three metering processes.

In the 2020/21 Audit period, Elexon and the BSC Auditor will have an additional focus on those areas and entities that pose the greatest risk to Settlement.

### **Changing Landscapes**

New challenges and risks have emerged rapidly during the current BSC Audit cycle – primarily due to COVID-19. However, the resilience of the improved audit processes has meant the BSC Auditor and Elexon were able to quickly pivot and adapt the audit approach. This included ensuring that testing was completed remotely, and at the same level of quality, while causing minimal disruption for PAPs.

The impact of COVID-19 on Settlement will be greater for the 2020/21 BSC Audit, with strain placed on PAPs' operational capacity and business continuity. The various derogations implemented, for example, so that Suppliers can submit estimates of reduced consumption into Settlement may increase risk to the accuracy of Settlement. However the 2020/21 audit will continue to monitor these areas to ensure the integrity of Settlement.



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# Technical Assurance Agent

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

This service involves checking of Half-Hourly metered sites to ensure that Metering Equipment meets BSC requirements and provides accurate data for electricity Settlement. The TAM service takes samples of metered sites to build up an accurate picture of compliance without resulting in an administrative burden for the industry.

During 2019/20, Elexon and C&C Group successfully delivered improvements and the PAB recommendations to improve the TAM service.

### **Introduction of desktop audits**

Elexon introduced the use of desktop audits to supplement site visits that are carried out to inspect metering equipment, as recommended in the Performance Assurance Framework (PAF) review. The introduction of desktop audits included a significant update to the Technical Assurance Agent Management Tool (TAAMT) - an online application available to the industry to support the TAM process and code subsidiary documents. The desktop audits would have started in 2019/20 however TAM activities have been suspended to reduce the burden on the industry due to COVID-19. Desktop audits will be starting when the suspension is lifted. PAB will decide when this will be.

### **Largest specific sample ever taken**

Elexon and C&C successfully completed the largest TAM specific sample, which included a total of 265 site inspections. The specific sample targeted large demand customers and generation sites (Code of Practice 1 and 2 sites) to provide greater assurance on sites that represent a higher risk to the accuracy of data used for Settlement.

### **Improvements for Licensed Distribution System Operators (LDSOs)**

Audits of metering systems often include equipment owned by LDSOs, which can lead to difficulties when ensuring that all relevant persons attend the audit. We introduced new procedures and increased engagement with LDSOs to make it easier for them to comply with these requirements. The increased engagement has resulted in a 22% improvement in access rates for metering equipment, when compared to the 2018/2019 audit. We have improved the TAAMT Tool so that LDSOs now receive clear notice that their engineers may be required to attend an audit.



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## Trading Disputes

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The disputes process allows BSC Parties to amend Settlement to take account of issues that have come to light and which affect Trading Charges. During 2019/20, 85 Trading Disputes were raised. All were resolved by the BSC Trading Disputes Committee without escalation to the BSC Panel.

**“In our 2019 survey, almost 70% of our customers said they would speak highly of Elexon if asked. We also achieved our highest ever score for value for money for our services since we started carrying out the annual surveys in 2003.”**



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## Performance Assurance Framework (PAF) focus

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Each year, the BSC Panel and the PAB use the PAF to manage Settlement Risks.

During 2019/20 we conducted a thorough review of the PAF to:

- Better engage with Parties and understand their experiences of Settlement and reporting
- Meet the current and future assurance needs of the Panel, the PAB and the wider electricity industry by making all assurance tools fit for purpose, agile and flexible to accommodate unprecedented levels of simultaneous change
- Improve the measurement of Settlement error and the mitigating effect of assurance activities
- Deliver a valued and trusted assurance service to BSC Parties under the strategic and tactical guidance of the BSC Panel and PAB.

The introduction of a new Settlement Risk register with enhanced risk evaluation and management procedures has allowed a better quantification of risks and the ability to measure the impacts against mitigation costs. Each of the Performance Assurance Techniques has been reviewed to ensure a holistic approach with all techniques working efficiently and effectively.

We have reviewed the way we gather and processes information to ensure it remains at the cutting edge of industry processes and in line with planned structural updates and change. The project is scheduled to run to Q2 2020, with approved recommendations being implemented as each piece of work completes.



# OUR PERFORMANCE & SERVICES





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# Corporate Social Responsibility

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

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

### **Environment**

Through our environmental policy we provide staff with clear guidance on how we manage our impact on the environment in our day-to-day work activities. We also offer guidance on their responsibility to help deliver the policy.

We aim to reduce our environmental impact through staff awareness campaigns, and by monitoring our energy consumption and recycling our waste. We also offer staff opportunities to use environmentally friendly means of transport. This includes our cycle to work scheme, where Elexon employees can spread the cost of purchasing a new bike through salary contributions.

In our office we use smart metering technology to help us identify where we can make energy savings. By using lighting controls, managing the running times of air conditioning units and turning off IT equipment, when it is not in use, we are reducing our bills. We made instant savings on our bills after installing these controls in 2017 and since then we have been working to make additional savings. The energy supply to Elexon's office is 100% renewable and our office has an A+ rating for energy efficiency.

### **Community**

Between 2017-19 Elexon raised more than £8,600 for the two charities chosen by our staff, Guide Dogs for the Blind and Alzheimer's Society.

At the beginning of January 2020, we started a three-year partnership with two charities, Cancer Research UK and the Mental Health Foundation (also chosen by Elexon staff). Between January 2020 and January 2021 we aim to raise over £1,500 for each charity through various fundraising activities.

As well as supporting the charities through fundraising we encourage our employees to use volunteering days, or to participate individually in charitable activities. From running marathons to charity boxing matches, and cycling, our staff are frequently willing to raise money for both the company's chosen charities and personal causes.

### **Workplace**

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

During 2019/20, Elexon people undertook targeted training to allow them to improve and acquire new skills and build their capacity to respond to the rapidly changing energy market. We will maintain our focus on developing our people's expertise. It is important for building new capabilities in the business such as advanced analytics and insights, artificial intelligence, data science and modelling. This is particularly important for our digital platform delivery, where we have already brought in people with new skills.

We have recently appointed a Chief People Officer as part of the Executive team. We aim to continue to attract and retain highly skilled staff in order to assure delivery of our industry leading customer service, robust processes and systems. The CPO will lead our people strategy work to meet these objectives.

We recognise that to provide a great place to work, we need to retain our focus on health, well-being, flexible-working and personal development. The support we offer to staff includes promoting advice from the Mental Health Foundation and our Employee Assistance Programme. We ran awareness campaigns on these for staff during 2019/20. All Elexon staff have been working from home since March 13 2020, following the impact of COVID-19. We did not furlough any of our staff and nor have we used any of the Government support schemes. We have been reassessing our ways of working to ensure that we support staff in continuing to deliver our services to the same standard.

# Corporate Social Responsibility

(Continued)

Our initiatives have included:

- Staff well-being surveys during the lockdown
- Setting up a dedicated section of our staff intranet related to COVID-19
- Advice and support on working from home
- Regular updates from our executive team, through “Webtalks” on how Elexon is managing the impact of the outbreak and keeping staff fully informed of our return to office plan.

## Helping colleagues to develop in their career

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

## We do this by:

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

We communicate and maintain good employee relationships by ensuring that:

- We undertake a staff survey each year, with any issues found forming part of an action plan for the forthcoming year
- Employees have regular contact with senior managers and members of the Executive team. This includes, for example, the regular ‘floor talks’ where Chief Executive Mark Bygraves and the Executive update staff on key issues, and engage with them
- The Elexon Board holds a series of regular briefing sessions with employees
- We produce a weekly newsletter for staff.

## Marketplace

We seek to ensure that all our suppliers and vendors follow ethical practices. This includes considering their values, CSR responsibilities and environmental practices. We actively look to raise awareness of CSR and influence the practices of our own suppliers. We also insist that contractors pay their staff at least the London Living Wage.

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

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



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# BSC services in operation

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## Balancing Mechanism Reporting Service (BMRS)

Carrying on the trend in the last few years, usage of the [BMRS](#) has continued to grow. Over 2019/20, hits on the Application Programming Interface (API) service nearly doubled with an average of 2.1 million hits per day, compared with a daily average of 1.3 million in 2018/19. The number of API users has also increased by 60%, with 35,000 unique IP addresses requesting the APIs. Despite this increased usage the BMRS has maintained a high level of availability. To make sure that the system continues to deliver a reliable and stable service, Elexon has invested in a technology upgrade for BMRS, which will be delivered in summer 2020.

## REMIT (Regulation on wholesale Energy Market Integrity and Transparency) Inside Information

BMRS is the Inside Information Platform (IIP) for Great Britain and helps GB Market Participants to comply with REMIT Regulations (1227/2011). The European Regulator, (ACER) and Ofgem continue to recommend that Market Participants use the Platform for publishing their REMIT data. This includes, for example, disclosures about outages for electricity infrastructure. During the power outage on 9 August 2019, Generators that experienced outages published details of these on the BMRS REMIT Platform. Subsequently, BMRS experienced a significant peak in usage as Market Participants and other industry observers made considerable use of the service to understand and analyse the incident. This is further evidence that the BMRS is the go-to resource for information on the wholesale electricity market.

## Data Push Service

The BMRS Data Push Service (DPS) is a near real-time information provision service available to industry participants. This capability supplements the TIBCO real-time messaging service, which has been in place since 2001.

TIBCO users require a dedicated communication line and TIBCO license which is prohibitive to many parties due to the associated costs. The DPS provides the same content in the form of XML messages delivered over the internet and uses open source technology. Users can integrate DPS using a variety of well-supported protocols and programming languages.

During 2019/20, the number of DPS users surpassed that of the TIBCO service and has continued to grow. There are approximately 103 organisations subscribing to the DPS, including a number of well-established industry participants, compared with 40 TIBCO subscribers.

## We continue to deliver high levels of performance, with near 100% availability for key software services:

- Balancing Mechanism Reporting Agent – 99.23% availability
- Energy Contract Volume Allocation Agent – 99.98% availability
- BSC Service Desk – 100% availability

## Key statistics on Settlement during 2018/2019

- Number of Settlement Runs 2,560 (12 month total)
- Amount of Credit held £455m to 31 March 2020
- Number of Energy Contract Volume Notifications received 2.94m

**“To make sure that the system continues to deliver a reliable and stable service, Elexon has invested in a technology upgrade for BMRS, which will be delivered in summer 2020.”**



# Review against the annual budget

Due to unprecedented events, our annual financial audit was delayed pending the preparation of the final year-end accounts for 2019/20.

Currently BSC expenditure outturn is £40.7m, resulting in a £12.5m underspend (23.5%) against an annual budget of £53.2m.

The position against budget for the full year is summarised in the table below. Delivery of EMR services has enabled £839k of existing BSC overheads to be defrayed.

As explained in the EMRS section of the annual report this means that the LCCC has made a contribution of this amount to the shared fixed costs of Elexon and EMRS in 2019/20, which would otherwise have been borne by BSC Parties.

Due to the substantial and complex deliverables required to meet our Project TERRE commitments, we had to prioritise our work to focus on this regulatory change in 2019/20 and reduce our other system strategy commitments (which are mostly for the development of our new digital platform). This has contributed to the majority of our underspend, which is a £10m impact (18.8%) against budget.

This £10m underspend is made up of £8.1m of system strategy costs, £1.2m of demand-led costs and £700k related to unused licences (for software services), which were in the budget.

The remaining £2.5m of the total underspend of £12.5m is due to:

- Lower performance assurance activities due to lower market activities within the BSC (£1.3m)
- Efficiencies driven by lower use of consultancy services, reduced legal costs and unused contingencies (£900k)
- Lower than expected spending on market development (£300k), partly as a decision was taken by the Elexon Board not to bid for the REC services and the Uniform Network Code Gas Performance Assurance Framework Administrator services were not re-tendered. Elexon is able to bid for both of these functions, under the BSC through modifications P365 and P330.

As Elexon is a not-for-profit company, costs are exactly matched by turnover for the year. In order to achieve this there has already been a reconciliation of BSC costs charged to BSC Trading Parties for the 2019/20 financial year, based on the pre-audited costs. The remaining £1.2m for the 2019/20 financial year is intended to be returned to BSC Trading Parties in October 2020.

£m	Full year		
	Budget	Actual	Var.
Operational-people	12.3	12.2	0.1
Operational-other	7.6	6.8	0.8
<b>Total operational</b>	<b>19.9</b>	<b>19.0</b>	<b>0.9</b>
Demand led	4.9	3.7	1.2
Contracted	18.0	16.0	2.0
System strategy	9.9	1.8	8.1
Market development	0.5	0.2	0.3
<b>Total</b>	<b>53.2</b>	<b>40.7</b>	<b>12.5</b>

# COMMITTEE SUMMARIES

A number of committees carry out duties to support the work of the BSC Panel by meeting regularly to discuss issues arising from the BSC. Membership of the committees is drawn from the industry. Committee members must act impartially and must not represent the view of any one Party or class of Parties.

Below we report on the work of the committees during 2019/20. Representatives from Elexon chair each committee and we also provide technical input and expertise.



# Performance Assurance Board (PAB)

**The PAB conducts and administers activities to provide assurance that all BSC Parties are suitably qualified and that relevant standards of performance are maintained.**

The PAB considered 183 papers, a five percent decrease from the previous year. Of these papers 62% (114) were decision papers compared to 75% (146) in 2018/19. As mentioned in the Chairman’s report, the PAB also played a role in supporting the industry in managing the impact of the lockdown by approving a range of measures. Further detail on these measures is on our [COVID-19 information page](#).

The PAB issues invitations to BSC Parties to attend its meetings, where information suggests that there are problems with the Party’s performance or that their action/inaction is affecting Settlement accuracy.

The reasons for the PAB invitations in 2019/20 are outlined in the table below, together with the number of invitations for the same reasons in 2018/19.

There was a reduced need for BSC Parties to attend the PAB meetings to account for their performance in 2019/20 compared with 2019/18. This is evidenced by the decrease in total number of invitations being issued as shown in the table below.

However, we did see a significant increase in the number of times that Exlexon’s OSMs attended meetings to provide the PAB with updates from BSC Parties. Parties have either provided updates to the PAB, or their OSM has provided an update on their behalf.

PAB approved 11 Qualification requests in 2019/20, three re-Qualification requests and seven Change of Ownership requests.

## Trading Disputes Committee

During 2019/20, the Trading Disputes Committee upheld 38 Trading Disputes. The total error corrected through the Trading Dispute process is approximately £7.5m. Two Trading disputes had a materiality in excess of £1m. All were resolved by the TDC and none were escalated to the BSC Panel.

**PAB invitations in 2019/20 and 2018/19**

Issue	2019/20	2018/19
Non half hourly 97% standard	7	5
Half hourly 99% standard	1	7
Failure to commission metering equipment in line with modification P283	1	0
Supplier agent market issues	0	2
<b>Total</b>	<b>9</b>	<b>14</b>
Operational support manager updates	10	3



# Imbalance Settlement Group (ISG)

The Imbalance Settlement Group (ISG) oversees and helps to develop the Central Volume Allocation (CVA) Arrangements. Over the year, the group has achieved the following:

Approved five BSC Change Proposals (CPs): CP1516, CP1517, CP1519, CP1520, CP1521

Recommended by majority that the BSC Panel rejected proposed changes to BSCP502, BSCP514 and BSCP537 for CP1524

Approved Code Subsidiary Documents amended as part of the BSC Releases in June, November and December 2019, and February and April 2020

Approved two temporary Metering Dispensations

Approved five life-time Metering Dispensations

Reviewed one update on a condition of a Metering Dispensation

Commented on Generation Capacity / Demand Capacity (GC/DC) Key Performance Indicator reporting

Approved one Non-Standard Balancing Mechanism Unit Application

Approved CVA Line Loss Factors (LLFs) for use during the 2020/21 BSC Year

Approved LLF calculation methodologies for Licensed Distribution System Operators

Reviewed the Market Index Definitions Statement

Approved changes to generic Supplier Export Credit Assessment Load Factor values for use from the Autumn 2019 BSC Season onwards

Reviewed the Value of Lost Load and Loss of Load Probability

Approved the proposed methodology and actual Load Periods and Sample Settlement Periods to be used in the derivation of Transmission Loss Factors for the BSC Year 2020/21

Approved the Delivering and Offtaking Estimated Transmission Losses Adjustment for use in the BSC Year 2020/21

Approved changes to the Credit Assessment Load Factor Guidance Document

Approved the reduction of the 2MW limit for Generation Capacity / Demand Capacity declarations for less than 100MW, to 0.3MW from 1 December 2019

Approved reduction of the 2% limit for Generation Capacity / Demand Capacity declarations between 100-500MW to 1%, from 1 December 2019

Approved reduction of the 10MW limit for Generation Capacity / Demand Capacity declarations for greater than 500MW, to 5MW, from 1 December 2019

# Supplier Volume Allocation Group (SVG)

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

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

Over the year, the SVG:

- Made decisions on 11 Change Proposals
- Deferred a paper regarding Unmetered Supplies obligations to the BSC Panel where a unanimous decision could not be reached
- Approved or amended Configurable Items for the April 2020 BSC Standalone Release
- Oversaw approximately 230 changes to Market Domain Data (MDD)
- Allocated three new Grid Supply Points (GSPs) to the respective GSP Groups
- Approved new profiling Technical Product Deliverables, Default Estimated Annual Consumption values and Annual Fraction of Yearly Consumption values, following the Profile Expert Group's annual review
- Approved new SVA Line Loss Factors (LLFs) following the annual LLF audit
- Approved the UMSUG's recommended changes to the Unmetered Supplies Operational Information Document
- Approved two applications for measured Central Management Systems; one to be used with unmetered 'slow' charging points for electric vehicles (SVG219) and another one to be used with remote controlling of street lights (SVG229)
- Approved one application for export volumes recorded on SVA Metering Systems to be treated as exempt supply for purposes of Electricity Market Reform (EMR) charging.



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