

ELEXON

ANNUAL REPORT & FINANCIAL STATEMENTS

31 MARCH 2023



COMPANY REGISTRATION NUMBER:
03782949

CONTENTS

Officers and Professional Advisers	Page 2
Report of the Chair and Chief Executive Officer	Page 3
Strategic Report	Page 9
Directors' Report	Page 17
Corporate Governance Statement	Page 23
Independent Auditor's Report to members of Elexon Limited	Page 37
Consolidated profit and loss account	Page 40
Consolidated balance sheet	Page 41
Company balance sheet	Page 42
Consolidated cash flow statement	Page 43
Notes to the financial statements	Page 44

OFFICERS AND PROFESSIONAL ADVISORS

Directors

Michael Gibbons	(Chair, resigned 30 September 2022)
Sara Vaughan	(Non-executive, and appointed as Chair from 1 October 2022)
Simon McCalla	(Chief Executive Officer, appointed 4 April 2022)
Clare Duffy	(Non-executive)
Anne Heal	(Non-executive)
David Rigney	(Non-executive, resigned 1 July 2022)
Tim Fitzpatrick	(Non-executive, appointed 12 July 2022)
David Titterton	(Non-executive)
Ian Graves	(Non-executive, appointed 1 January 2023)
Yasmin Mouse	(Executive, appointed 1 January 2023)

Company Secretary

Nicholas Brown

Registered Office

4th Floor
350 Euston Road
London NW1 3AW

Bankers

Barclays Bank plc
1 Churchill Place
London E14 5HP

Auditor

BDO LLP
Chartered Accountants and Statutory Auditor
54 Baker Street
London
W1U 7EU

REPORT FROM THE CHAIR

Focusing on improving our performance

Higher wholesale energy prices, coupled with the sustained impact of the war in Ukraine have continued to take a significant toll on the UK's energy sector, as well as presenting significant challenges to many BSC Parties.

Whilst Elexon's key focus is to deliver on its day job, including managing accurate, reliable Settlement and routinely finding ways to improve the standards of our services for customers, we are also conscious of the need to continue to push forward our purpose, of 'serving at the heart of the energy industry, building a path to Net Zero', particularly during these difficult times.

The BSC and Elexon have played a central role in the wholesale market arrangements over the last 20 years. The role code bodies play, and what is expected of them, is going to change in the coming years, to ensure that they are best placed to support a rapidly evolving energy system. We are keen to be at the forefront of that change, as a forward-looking, modernised, agile code manager.

First year for Elexon under new leadership

With that in mind, I am very pleased that Elexon has developed a new corporate strategy for 2023-2025 as mentioned by our Chief Executive Officer, Simon McCalla, in his report for these financial statements. Elexon has been under new leadership during 2022/23, as it is the first year for me serving as Chair of Elexon's Board and the BSC Panel since October 2022, working alongside Simon, who joined in April 2022.

The new strategy will build on everything that Elexon does well, as an independent, reliable market expert. It gives us a sharper focus on being a high performing code manager by delivering value to Parties and excellent Settlement services. I look forward to working with Elexon's executive team to help guide the work of colleagues, so that we can drive the improvements in services and value that we want to see.

Before moving on, I do just want to pay tribute to my predecessor in this role, Michael Gibbons CBE, who served as Elexon Board and BSC Panel Chair for nine years.

I had the opportunity to work alongside Michael for nearly four of those years and so have benefited greatly from seeing his great wisdom and skill in action. On behalf of the Board, the Panel and the company, I would like to thank Michael for all he did during his time in office.

Engaging Government and Ofgem on energy sector reforms

In October 2022, Elexon [responded](#) to the Government's Review of Electricity Market Arrangements (REMA). This is the most comprehensive review of market design and support mechanisms in years. More radical options under consideration include moving from single market pricing to locational marginal pricing, and splitting the wholesale market to create a 'green' power pool. Government is also considering more evolutionary options such as amending existing arrangements by introducing some incremental changes.



Elexon's own response focussed on the practicalities of the options. Our suggestions for improvements to existing arrangements were based on our experience of operating the BSC arrangements. A follow up consultation is expected in late 2023 and we will keep providing Government with our expertise and impartial views.

In March 2023, Ofgem published a consultation on the future of local energy institutions and governance, and a Call for Input (CFI) on the future of distributed flexibility. Amongst other things, Ofgem is proposing the creation of a 'market facilitator' role to align transmission and distribution markets and make existing flexibility markets more joined up. We believe that a single, independent entity is needed for this.

There is considerable uncertainty around the outcomes of the energy sector reforms discussed above. The industry is already preparing for Market-wide Half Hourly Settlement (MHHS), and Parties may have less resource for engaging in the next steps for additional reforms. Both the Panel and Elexon will therefore work to help Parties navigate the impact of any assumed changes on the BSC.

Transition to new ownership arrangements

During the past year we have also been working towards changes in Elexon's ownership arrangements. Elexon is currently owned by National Grid ESO (NGESO), albeit on an arm's length, no control basis. Therefore, once the Future System Operator is established in accordance with Government's plans for the future of NGESO, our ownership model will need to change. In March, Government and Ofgem decided that Elexon would remain in industry ownership, with the 13 largest energy Suppliers and Generators (initially) being mandated to take on shares in Elexon (although other industry players will also be able to do so later). We fully support this move and will work alongside Government and Ofgem to implement the necessary changes. The ownership change itself will not have any impact on how we deliver our services and we hope quickly to transition to the new arrangements, so that we can get on with delivering our work.

Finalising energy code reforms

Alongside other code bodies, we eagerly anticipate the continuing developments in the work by Ofgem and the Department for Energy Security and Net Zero (DESNZ) on energy code reforms. We expect further consultations on this later in the year. After several years in the making, we are keen to understand the future shape of these reforms, and particularly how we can optimise the valuable role played by industry, so that we can continue to reap the benefit of industry's practical expertise, knowledge and experience to support the needs of customers, and progress to Net Zero.

Light-touch licensing regime is needed

We are preparing for a new world in which code management is performed under licence and regulated by Ofgem. Ofgem's proposals include disbanding code panels, to replace them with stakeholder advisory forums. We would suggest that it would be helpful to re-evaluate and define the issues with the panels that need to be resolved, so that this all important engagement with industry can be appropriately adapted to the new framework. Under the existing panel structure, members provide valuable expertise, for free, and it will be important that code bodies continue to be able to tap into the knowledge and experience of industry parties.



New members of Elexon's Board

I am very fortunate to be able to benefit from the wealth of expertise of my fellow Board members at Elexon. It has been a year of transition for the Board as well as for Elexon's leadership team. In addition to the change in Chair, referred to above, in July 2022, non-executive director, David Rigney, left following nine years of great service to the company, during which he had brought into play in many areas the benefit of his experience in financial services, particularly so in leading the Audit and Risk Committee. We were happy to welcome Tim Fitzpatrick to the Board in July 2022 as a non-industry non-executive director, to take over this role from David, again bringing with him a wealth of financial services and accounting expertise.

Ian Graves joined the Board in January 2023 as an industry non-executive director, to fill the vacant position after I was appointed as Chair. Ian has more than 25 years of broad energy industry experience. The support that our Board members offer to the Company is very valuable as the energy sector continues to go through unprecedented change. We also took the step, as allowed under the BSC, of appointing a second executive director to the Board, for the first time in Elexon's history. I was delighted to see Elexon's Director of Finance and Commercial, Yasmin Mouse, join the Board in January 2023 after working at Elexon in various finance roles for some 15 years. It is so important to be able to develop and promote talented people from within, as well as attracting new talent into the sector. It will be this mix of skills and abilities that will enable us to deliver on our new strategy and to thrive and succeed in the transition to a new energy world.



Sara Vaughan
Chair
21 June 2023



REPORT FROM

THE CHIEF EXECUTIVE

New corporate strategy

Together with the executive team and colleagues across Elexon our focus over the past year has been deciding what we can do to improve our services and the value we offer to BSC Parties.

To guide our work, during the autumn of 2022, the executive team, Elexon's Board and colleagues across the business developed our corporate strategy for the next three years (2023-2025).

Our strategy ensures that we focus on what we were established to do when we were founded – namely – delivering a balancing and settlement solution for the electricity industry. We have set a goal for 2026 of Elexon being in a position to transform energy code management, cementing our role as a central energy markets leader. We will also be working with industry to make significant progress on Net Zero.

The strategy is based around five themes:

- Delivering service excellence and customer value
- Delivering strategic programmes
- Transforming BSC code management
- Strengthening industry engagement and relationships
- Developing our people.

Latest customer survey results

It is great news that responses from BSC Parties and the BSC Panel to our 2023/24 business plan supported the direction in which we are heading. We are determined to deliver the best possible BSC experience for Parties. We want Elexon to be synonymous with excellence, innovation, speed and value for money. Meeting these goals will depend on our ability to attract and retain industry expertise and talented leaders. Therefore we must become an employer of choice, with a culture that reflects performance, teamwork and a strong commitment to equality, diversity and inclusion.

We completed our 2023 customer survey between January and February 2023.

The key findings were:

- 93% of respondents believing that our service was either maintained or improved over the past 12 months
- Value for money scores increasing by 10%, after recovering from a sharp fall in 2021 (the previous survey)
- A recognition that we need to continue to work on ensuring customer satisfaction.



The strategy was developed before the customer survey, and I am pleased that the survey results and the strategy support each other in terms of the direction we must take. Respondents rated helpfulness, expertise, industry support and reliability among our strongest points. They clearly want us to continue to work on speed of delivery, efficiency, costs, and adaptability. All of these are key areas of focus for our work over the next three years.

Supporting Government on managing the cost of living

Over the past year, we have been supporting Government, DESNZ and Ofgem to manage immediate challenges in the energy sector, and have been providing our input into the reforms that will shape the sector's future development.

In autumn 2022 we moved quickly to support the Government in using our services to manage payments to Suppliers for the Government's Energy Price Guarantee scheme and the Energy Bills Discount Scheme (formerly called the Energy Bill Relief Scheme). We worked with Government to set up the payment schemes within a matter of weeks, demonstrating our ability to work at pace.

Progress on roll out of Kinnect

We have made good progress over the past year on the roll out of Elexon Kinnect, our cloud platform, with colleagues across the company working hard to complete delivery by October 2024.

We delivered two iterations of the Insights Solution, in June and December 2022. The Insights Solution is a new wholesale market data platform, which provides a more detailed, granular and customisable service for users.

More than 160 people have participated in the Data and Reporting User Group, and feedback from members has been invaluable to the development of the Insights Solution. Overall, this is a good example of how we can deliver high standards for user engagement, feeding into the agile approach to delivery, which we have taken.

The Customer Solution is a digital portal supporting market entry and self-management by Parties of their 'BSC account'. During 2022/23 we included additional functionality so that regulatory reform and BSC changes can be supported. This included:

- Adding additional functionality to enable data from asset meters fitted at units behind the boundary point to be submitted by Virtual Lead Parties (VLPs) into Settlement for the P375 reforms (implemented in June 2022)
- Functionality added so that Elexon is compliant with the Ofgem's 'faster switching' programme introduced in June 2022
- Processes put in place in June 2022 for automatic provision of data to the Retail Energy Code Company in support of Ofgem's 'faster switching' reforms.

New Settlement Solution is live

A significant amount of preparation took place during the year to deliver the Settlement Solution on Kinnect in May 2023. This solution now provides the core Settlement calculations service.

Go live of the service on the Kinnect platform is a major step forward. It is a significantly faster, and more scalable service, with enhanced data quality control. The modular nature of the solution will allow BSC changes to be delivered more quickly in future.

Delivering MHHS

The MHHS Programme continues on track, with the transition of the first tranche of electricity Metering System Identifiers (MSIDs - unique serial numbers for meters) to MHHS expected to begin in spring 2025.

From this point, these customers will be able to take advantage of time of use tariffs supported by MHHS. The remaining Parties will continue to be migrated throughout 2025, into early 2026. MHHS is an enabler for innovation, and it will allow us to deliver faster Settlement. These reforms must be delivered on time and on budget, so that companies and customers can begin to benefit from them.


To that end, Elexon has also been working (as a programme participant) to complete development of its own solutions on time, under the Helix programme, ready for the MHHS system integration testing phase (which precedes the migration). These solutions are an essential upgrade to BSC systems so that we can retain, process and publish an exponential increase in half hourly (HH) data.

The MHHS Programme is also overseeing the development of the Data Integration Platform (DIP) after appointing a technology partner in February 2023 to deliver it. The DIP is a middleware service to deliver next-generation event messaging architecture which will flow HH data through to Elexon. Ofgem has appointed Elexon as the initial operator of the DIP, once its development is complete. This role recognises our experience in managing large volumes of data, and developing cloud-based systems.

Returning unused budget to Parties

Each year we strive to keep our costs as low as possible and ensure value for money. This role has become more challenging over the past year, due to increases in inflation and other costs. Nevertheless, working with colleagues across the organisation, the team has delivered a saving of £4.9m during 2022/23 against our business plan. More detailed information can be found in the Annual BSC Report which can be found on [our corporate website](#).

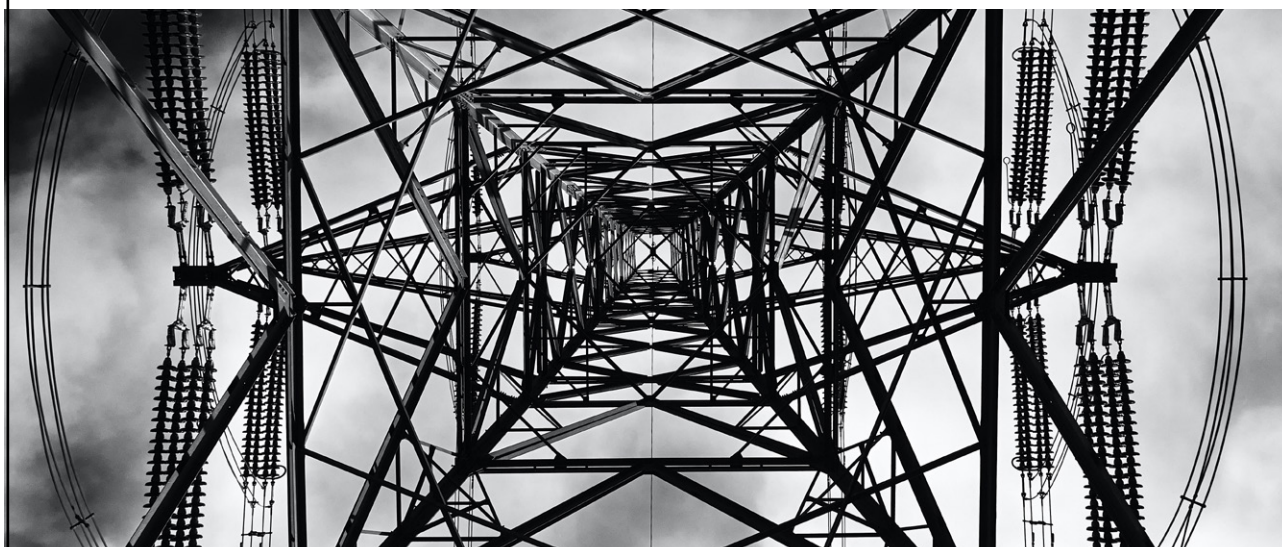
This money is being returned to BSC Parties. Many of our customers face into strong headwinds resulting from the UK's economic outlook. We will continue to strive to offer value to all BSC Parties during these challenging times.



Simon McCalla
Chief Executive
21 June 2023



STRATEGIC REPORT



Our business

Elexon is a non-profit business. We provide code management and settlement services for the electricity industry's central market arrangements, including the Balancing and Settlement Code, Contracts for Difference, the Capacity Market, the Energy Price Guarantee and the Energy Bills Relief Scheme. We also manage industry change programmes, including Market-wide Half Hourly Settlement.

Business Performance

Turnover of the Group for the year to 31 March 2023 was £99.4m (2022: £74.0m) including £5.6m (2022: £6.0m) of EMR income (see note on Group Turnover). Excluding the EMR income, turnover in relation to the BSC was £93.8m compared with £68.0m in the previous year. The increase in turnover (or expenditure) of the Group from £74.0m to £99.4m was mainly due to our investment into delivering the Kinnect, Helix and MHHS programmes. The decrease in cash from £541.7m to £493.8m is due to a decrease in parties' credit cover requirements due to fall in energy prices. Our interest income of £0.5m was significantly higher than last year due to high interest rates driven by inflation.

Elexon and its subsidiaries form a not-for-profit group which (save for our subsidiary EMR Settlement) recoups its costs from BSC Parties in accordance with the terms of the BSC. All licensed electricity generators and suppliers in Great Britain are obliged to become signatories to the BSC. Other companies may choose to do so. EMR Settlement recoups its costs under a contract for services with Low Carbon Contracts Company and Electricity Settlements Company.

The BSC requires Elexon to produce an Annual BSC Report by no later than 30 June each year. The Annual BSC Report includes full details of Elexon's performance as BSCCo during 2022/23 including performance against our budget and a range of financial and non-financial key performance indicators. The Annual BSC Report for 2022/23 will be available on the [Elexon website](#).

Strategic Report (continued)

Table 1
Five-year comparison figures

	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000	£'000	£'000	£'000
BSC Turnover	93,850	67,958	49,943	41,422	40,531
EMR Turnover	5,569	6,001	5,833	5,307	4,844
Cost of Sales	(99,848)	(73,957)	(55,783)	(46,777)	(45,390)
Net Interest Income	429	[2]	7	48	15

After taking account of directly recoverable pass through costs (communication lines recovered through section D charges and EMR costs offset by income), the total cost against our approved business plan in 2022/23 was £93.4m, (2021/22 £68.0m). For more details on our performance during 2022/23, please refer to the 2022/23 Annual BSC Report, which will be published by 30 June 2023. The report will be available on the Elexon website.

Looking forward, the Group budget for 2023/24 has been set at £107.7m. For more details of our budget for 2023/24, please refer to our [2023/24 Business Plan](#) on the Elexon website.

As the Group is not-for-profit, costs and interest charges are exactly matched by turnover for the year. During the year, based on our forecasting, we adjust our charges (rather than continuing to charge the equivalent of our budget) seeking to match our revenue to our costs. However, as forecasting cannot be entirely accurate, there is, for the 2022/23 financial year, as in every year, a reconciliation of BSC costs charged to Trading Parties based on the final audited costs and interest charges shown in this report. Consequently, a credit of £3.9m for the 2022/23 financial year will be returned to BSC Trading Parties in August 2023 in addition to £1.0m that was already returned during the current financial year.

Engagement with stakeholders, suppliers and customers

The dialogue between the Board and its stakeholders and customers is conducted through a number of channels including:

- The Chair of the Board also chairs the BSC Panel
- The Chief Executive also attends the BSC Panel
- Three of Elexon's Non-Executive Directors are appointed from industry so are able to provide a stakeholder perspective at Board meetings
- The Chair and Chief Executive hold regular meetings with stakeholders including DESNZ, Ofgem, the ESO and other Code Managers. These meetings and their outcomes are discussed by the Board
- Occasional attendance by Board members at Panel meetings and informal Panel events
- During the year, the Company seeks comments from stakeholders on its Business Strategy and Budget for the forthcoming year
- The Company conducts an annual customer survey which is considered by the Board, including any issues and concerns raised by BSC Parties
- There are regular meetings between members of the Executive team and BSC Parties which are reported, where relevant, to the Board
- The BSC provides for an Annual BSC Meeting where BSC Parties can ask questions of the Board and the BSC Panel
- Every six months the Chair writes to BSC Parties describing the work of Elexon's Board and invites feedback from Parties.

Corporate Social Responsibility

Our Corporate Social Responsibility (CSR) strategy ensures that we behave in a sustainable, socially and environmentally responsible manner while supporting our ambition, values, brand and business objectives.

Environment

Elexon is committed to working with the industry to deliver BSC changes which support progress to Net Zero. Various examples of what we have done to support this during 2022/23 are in the 2022/23 BSC Annual Report.

They include implementation of Modifications [P375](#) 'Settlement of Secondary BM Units using metering behind the site Boundary Point' implemented in June 2022 and [P376](#), 'Utilising a Baseline Methodology to set Physical Notifications' in June 2022 and February 2023 respectively. These changes offer further support to demand-side response providers, storage and smaller scale renewables to offer balancing services. They also help VLPs - to gain a greater foothold in the market for balancing services provision.

We are also working with industry to develop further Modifications which support greater competition in balancing services. They include Modifications [P415](#) 'Facilitating access to wholesale markets for flexibility dispatched by VLPs' and [P444](#) 'Compensation for Suppliers and VLPs for VLP actions in the Balancing Mechanism (BM)'.

As far as our London office is concerned, we aim to reduce our environmental impact through staff awareness campaigns, and by monitoring our energy consumption and recycling our waste. A group of Elexon colleagues voluntarily monitor our impact on the environment and work on ways to reduce it.

Our environmental activity includes:

- Encouraging environmentally friendly means of transport to work for staff
- Using adaptive lighting controls for the office and carefully manage the running times of air conditioning units
- Turning off IT equipment when it is not in use
- Ensuring that the energy supply to Elexon's office is 100% renewable and that our office has an A+ rating for energy efficiency
- Working with specialists to continually improve our energy efficiency in the office
- Working with our cleaning contractor to reduce the usage of hazardous chemicals and waste resulting from cleaning.

Climate change

For the period 2022/23 our annual energy consumption was 276,684 kWh (compared with 243,774 kWh in 2021/2022), as shown on the graph on the next page.

The energy consumption data is based on meter readings from the Group's office. Our renewable electricity tariff is certified by the Carbon Trust to be compliant with the Greenhouse Gas Protocol Scope 2 Guidance. This means Elexon can report zero carbon emissions for purchased electricity when reporting using the market-based method. This is a Carbon Trust method, which allows companies to quantify their emissions based on how much carbon is emitted by generation of electricity that they purchase from suppliers. Elexon's energy usage in 2022/23 was 2783 kWh per £1 million revenue (2021/22: 3,296 kWh). We are working with our Landlord and an energy consultant to identify areas of improvement.

Community

In December 2023, we decided to extend our partnership with Cancer Research UK and the Mental Health Foundation for another year. Elexon colleagues had previously chosen these charities, and we wanted to continue our support in light of the impact of Covid-19 on our fundraising efforts. Between 1 April 2022 and 31 March 2023, we were able to raise over £1,200 for both charities. Between April 2023 and March 2024, our goal is to raise at least £1,200 for each charity through a variety of fundraising activities.

Corporate social responsibility (continued)

In addition to our fundraising efforts, we also encourage our employees to use their volunteering days or participate in charitable activities individually, as a way to further support these important causes.

Workplace

As a business, we understand that creating a positive work environment requires a sustained emphasis on health, well-being, flexible work arrangements, and personal growth opportunities. We offer colleagues access to resources such as the Mental Health Foundation and our Employee Assistance Programme.

Throughout 2022/23, we ran multiple campaigns to raise awareness about mental health and well-being among our colleagues. We also have a dynamic community of Mental Health First Aiders who are trained to provide support and guidance to those who may be struggling. Another critical area of focus during this period was on promoting Equality, Diversity and Inclusion in our workplace. Our Diversity Forum members meet regularly to explore ways to continually improve in these areas and foster a more inclusive work environment.

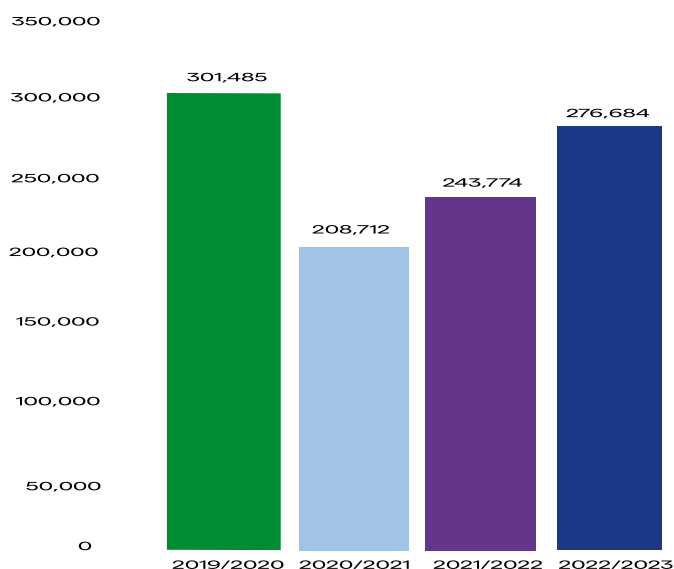
Helping colleagues to develop in their career

We believe in cultivating and retaining value for the long term by investing in our employees' expertise. To help our colleagues develop, we offer a range of training, coaching, and mentoring opportunities. Additionally, we prioritise knowledge sharing and transfer to support the experts of tomorrow.

Marketplace

We work within our marketplace, alongside new, potential and existing suppliers to ensure that they are providing CSR credentials which are compatible with our own. We look to ensure that all of our current suppliers and vendors follow ethical practices. We also specify that suppliers local to the London area that provide services to our office pay their staff the London Living Wage.

Elxon's energy consumption in kWh



Business environment

Principal Risks and Uncertainties

The Directors have undertaken a robust assessment of the principal risks facing the company. The table below sets out the principal risks faced and outlines how those risks have been mitigated.

Risk	Risk description	Managing and mitigating the risk
Unable to achieve our strategy	There is a risk that we are unable to achieve our strategy due to external circumstances (e.g. Code Reform; industry change, government energy policy changes and the wider geopolitical environment) or internal circumstances (e.g. limited bandwidth, capability and budget) resulting in the inability to achieve one or more strategic objectives.	<ul style="list-style-type: none"> Ongoing discussions with stakeholders Monitor relevant legislation or regulation changes that may impact Elexon's strategy Monitor, participate and lead on industry changes. Maintain awareness of developments in market and commercial arrangements, and in technology developments Strategy programme governance
Attract, retain and develop talent	There is a risk of insufficient or inadequate skills and resources to deliver strategic priorities, programmes and operational objectives. This could be because of an inability to attract the right talent, retain key resources, manage appropriate attrition, succession planning and develop the right skills. This may result in insufficient bandwidth and capabilities, impacting our service delivery, successful implementation of strategic initiatives and achievement of our vision.	<ul style="list-style-type: none"> Our Resourcing Leader manages a proactive recruitment and headhunting process, considering predictive resourcing Ongoing succession planning process and periodic review Talent management across our talent pool, including our Emerging Leaders and Development programme Analysing and improving the employee value proposition and embedding in the Company through internal messaging and recruitment In support of the employee value proposition, working with external advisers on benchmarking the Company's all-colleague remuneration policy
Delivery risk of MHHS programme	There is a risk that the MHHS programme fails, experiences delays or encounters other major issues caused by either programme management issues or implementation issues that are the responsibility of other parties, impacting our reputation in industry.	<ul style="list-style-type: none"> Monthly programme status reporting with the Independent Assurance Provider to support effective coordination across parties and programme leadership by the Lead Delivery Partner Regular issue management and reporting with attributable parties Monthly reporting to the Elexon Board's MHHS committee for areas of our responsibility and the Programme Steering Group
Cyber resilience at Elexon or at service providers	There is a risk that Elexon may not be able to carry out its key business processes and/or some BSC obligations should there be a breach of –cyber resilience at Elexon or at- external service providers providing BSC Agent Systems or Elexon systems. This may have a negative impact on our reputation with industry.	<ul style="list-style-type: none"> Maintain a business continuity and disaster recovery solution at Elexon and at its Service Providers as a contingency mitigation against a cyber-attack The Company continues to maintain ISO27001 and implements identified improvements Third party annual penetration testing at Elexon and its Service Providers and implement any corrective actions identified Systems in place to continuously identify and implement improvements Maintain expert external provider to provide critical response facility in the event of a cyber-attack Utilisation of threat intelligence portal to monitor cyber security risks that may pose a threat to Elexon and respond using proposed mitigating actions accordingly Regular patching and updating in place 24/7 Managed Security Operations Centre monitoring Elexon on-prem and Azure systems

Viability Statement

Taking account of the Company's current position and principal risks, the Directors have assessed the prospects of the Company over a period of three years. The Directors believe three years to be an appropriate period as this is the period in respect of which the Company undertakes financial projections as part of its business planning process.

The funding arrangements for the Company are set out in Section D of the BSC. As a result of the BSC funding arrangements, there is no medium/long term risk of Elexon failing to meet its liabilities. The BSC funding arrangements ensure that all of the Company's BSC costs are funded by BSC Parties. To the extent that there is any short term cash flow risk to the Company, there are robust mitigations in place as described in the [Principle Risks](#) and Uncertainties table and the [Going Concern statement](#).

The Directors therefore have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. This assessment is based on the assumption that Elexon's funding model remains unchanged. We have no expectation of any change to our funding arrangements.

On 14 July 2022, following a consultation, DESNZ together with Ofgem set out their positions on the future ownership of the Company. They concluded that the ownership of the Company should be transferred from its current owner, National Grid ESO, to a wider group of BSC Parties. This change of ownership will not impact the funding arrangements described above, and accordingly does not impact the Director's assessment of the Company's viability.

The Company undertakes regular stress testing and scenario cash flow analysis with regards to the impacts of the Ukraine conflict, and Energy Market conditions on the viability of the business. The Directors' assessment is based on this analysis.



Section 172(1) statement

The Directors consider that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(1) (a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2023.

In respect of the promotion of the success of the Company 'for the benefit of its members as a whole', the Directors also have regard to the following:

- The purpose of the company is to perform the functions, which are ascribed to BSCCo in the Balancing and Settlement Code (BSC) or otherwise permitted in the BSC. Consequently, and in accordance with section 172(1) of the Companies Act 2006, the Directors consider that their duty is to promote the success of the Company for the achievement of these purposes
- As a single member company, the Directors do not consider that the factor set out in section 172(1) (f) (need to act fairly between the members of the company) is relevant to the performance of their duty under section 172.

Likely consequences of any decision in the long term

Board decisions are taken in the context of the Company's strategy and developments in the UK electricity market, both of which necessitate a long term view.

For more details of how we have regard to the likely consequence of any decision in the long term, please see the following:

- [The Reports of the Chair and the Chief Executive Officer](#)
- [Viability Statement](#)
- [Corporate Governance Statement](#)
- [Board Leadership and Company Purpose sustainability of business model.](#)

Interests of the Company's employees

Elexon's employees are key to our success and the Board is committed to having an effective engagement strategy with the workforce. For more details of how we take the interests of employees into account please see the following:

- [Report from the Chair](#)
- [Strategic Report](#)
- [Corporate Social Responsibility](#)
- [Corporate Governance Statement](#)
- [Board Leadership and Company Purpose – culture](#)
- [Board Leadership and Company Purpose – engagement with the workforce](#)
- [Nomination Committee Report – diversity.](#)

Fostering the Company's business relationships with suppliers, customers and others

The Company has business relationships with a broad range of stakeholders. Elexon's relationship with BSC Parties, as the Company's funding parties, is particularly key, but we also have critical strategic relationships with NGENSO, Ofgem and BEIS. For more details of how we take the interests of stakeholders into account please see the following:

- [Report from the Chair](#)
- [Report from the CEO](#)
- [Strategic Report](#)
- [Corporate Governance Statement](#)
- [Board Leadership and Company Purpose engagement with the shareholders and stakeholders.](#)

As regards suppliers, there is regular engagement by the senior management team with suppliers which is reported to the Board where relevant. In terms of promoting ethical business practices, the Company has published its Modern Slavery statement and the [Corporate Social Responsibility Report](#) sets out further information of how the Company supports business relationships with suppliers through the promotion of an ethical supply chain.

Section 172(1) statement

(Continued)

The impact of the Company's operations on the community and the environment

As regards the environment, and as set out in the [Chair's report](#) and the [CEO's Report](#), facilitating the achievement of the UK's Net Zero target is absolutely central to the Company's operations. Details of the Company's approach can be found in those reports. In addition, the Board is committed to reducing the environmental impact of the Company's activities and to making a positive impact in the community. Further information on these can be found in the [Corporate Social Responsibility Report](#).

Maintaining a reputation for high standards of business conduct

Considering the reputational impact of Board decisions is a key element of Board discussions. As regards business conduct, the Board considers this through a number of areas set out elsewhere in this Report including:

- [Strategic Report](#)
 - [Corporate Social Responsibility Report](#)
 - [Business Environment - Principal Risks and Uncertainties](#)
- [Corporate Governance Statement](#)
 - [Board Leadership and Company Purpose - culture](#)
 - [Board Leadership and Company Purpose whistleblowing](#)
 - [Audit, Risk and Internal Controls – risk management and internal controls](#).

Approved by the Board of Directors and signed on behalf of the Board.



Nicholas Brown
Company Secretary
21 June 2023

DIRECTORS' REPORT



The Directors present their annual report and the audited financial statements for the year ended 31 March 2023.

Going concern

During the year, the Group arranged a £0.1m overdraft facility for Elexon and a £5.0m overdraft facility for Elexon Clear respectively with Barclays PLC at the variable rate of 1.75 percent above the bank's base rate. The Board believes that this provides a secure financial base for the Group for the foreseeable future. Financial risks are also mitigated by the nature of the debtor balances owed, with the Code providing for other BSC Parties to meet the liabilities of any debtor in default; and the provision of the BSC whereby Elexon recovers its costs one month in advance.

Last year, energy prices were impacted by Russia's invasion of Ukraine, as a result of which we were particularly vigilant with regards to our cash flow. The Group has no activities in, or relating to, Ukraine. Whilst the war's future impacts remain uncertain, we continue to anticipate no direct impact on the Group over the following 12 months, indeed energy prices are currently expected to continue to fall. The rules within the code around mutualisation of any payment defaults, coupled with our ability to defer any non-essential spend reaffirm confidence in our cash flow.

The Group has a positive cash flow closing balance in each scenario within the rolling twelve months of signing the financial statements.

As a result, the Board considers that there is a reasonable expectation that the Group will continue in operating existence for the foreseeable future and has therefore used the going concern basis of accounting in the preparation of the financial statements.

Employees

See [Note Directors and Employees](#) for details on the number of employees and related costs.

Dividends

Under the terms of the BSC, the Company has no power or authority to declare or pay any dividends.

Charitable and political contributions

During the year, the Company made no charitable or political contributions.

Financial Instruments

There are no financial instruments that the company holds as at 31 March 2023.

Important Events and Future Developments

Details of important events that have affected the Company since the end of the financial year and future developments are included in the [Strategic Report](#).

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Directors' Report

(Continued)

The Directors that served throughout the year were as follows:



Sara Vaughan
Elexon Board and BSC Panel Chair (1 October 2022)

Sara was appointed as Chair of the Elexon Board and the BSC Panel on 1 October 2022. She previously served as interim Chief Executive Officer between November 2021 and April 2022. Sara has been a member of the Elexon Board since March 2019. Sara was previously at E.ON where she was Executive Director for Strategy and Regulation and, latterly, for Political and Regulatory Affairs.

She started her career as a lawyer at Slaughter and May before moving to Powergen (as it then was) as a competition lawyer. She subsequently broadened her experience through taking on a number of additional responsibilities such as regulation, compliance, energy policy, and external affairs including CSR, legal and company secretariat, HSSE and engineering governance.

Sara is a Non-Executive Director of the North Sea Transition Authority, a member of the Energy Advisory Panel at the Energy Institute, where she is a Fellow, and Steering Group Co-chair in Icebreaker One's work on Open Energy. She is also a local Parish Councillor.

Board Roles:

Elexon Chair, Chair of Nominations Committee and MHHS Committee, and a Member of the Transformation Committee and People and Remuneration Committee.



Simon McCalla
Chief Executive Officer

Simon has been Chief Executive of Elexon since 4 April 2022. He has more than 30 years' experience in technology, strategy and commercial leadership across a wide variety of sectors. This has included managing companies that look after critical infrastructure, and working in leadership roles for stakeholder-led businesses.

Simon has worked both nationally and internationally on engineering and corporate governance standards, leading an international review of internet security arrangements and more recently a corporate governance review for DCMS/UK Sport of the British Mountaineering Council - the body responsible for all hillwalking and mountaineering activities in the UK. Simon is currently a trustee of the cancer charity Odyssey.

Simon is a fellow of the British Computer Society.

Directors' Report

(Continued)



Yasmin Mouse
Director of Finance and Commercial

Yasmin is the Director of Finance and Commercial at Elexon. She oversees the work of the Finance and Commercial department, which supports the business and provides professional support in the areas of Finance, Internal Audit and Supply Chain Management.

The department ensures Elexon drives cost efficiencies and that the company conducts its operations in a secure and controlled manner.

Yasmin has over 15 years of experience at Elexon working in the Finance Team. She is a member of the Certified Accountant (CPA) association and holds a Masters in Business Administration (MBA) degree.



Anne Heal
Independent Non-Executive Director

Anne was appointed to the Elexon Board as an independent Non-Executive Director on 1 October 2017. She also chairs (MOSL) Market Operator Services Limited, is a Board Member of ORR, the rail and road regulator, a lay member of the General Dental Council, and an independent member of the Bank of England Enforcement Decisions Making Committee and the FCA Regulatory Decision Committee. She is Chair of the London Design and Engineering UTC.

She was previously Director of Regulatory Affairs for BT Group, leading the regulatory negotiations that led to the creation of Openreach, where she then became MD, Strategy. She has also been a Board Member of Ofqual, the qualifications regulator.

Anne chairs a charity, Volunteering Matters, is a trustee of BalletBoyz, and also chairs the Governance and Nominations Committee of Diabetes UK.

Board Roles:

Chair of People and Remuneration Committee and a Member of the Nominations Committee.

Directors' Report

(Continued)



Clare Duffy
Industry non-executive director

Clare was appointed to the Elexon Board on 1 November 2015 as an industry Non-Executive Director. She is also the Senior Independent Director.

Clare is the Net Zero Transition Manager for ESB Generation and Trading. She is a chartered engineer with almost 25 years' experience working in the power industry. ESB is a leading independent generator and supplier in the GB market as well as a generator, supplier, network owner and DSO in Ireland.

In addition to her roles with ESB and Elexon, Clare previously chaired Energy UK's Strategic Policy Committee. She has post-graduate qualifications in accounting, finance, marketing, management and cybersecurity.

Board Roles:

Board Roles: Senior Independent Director, Member of Audit and Risk Committee, People and Remuneration Committee, Transformation Committee and Nominations Committee.



David Titterton
Industry non-executive director

David is an industry non-executive director at Elexon. He is an engineer by background and has over 34 years' experience in the energy industry.

David has held many senior roles in Npower, latterly as Energy Services Director, and prior to that Scottish Power; in all parts of the energy retail business including Customer Service & Field Operations, Sales & Marketing and Trading.

David Titterton was appointed to the Elexon Board on 6 March 2019. He brings a wealth of experience in initiating and developing business strategy, business development, acquisitions, business integration, divestment, transformation, leading people through major change and senior stakeholder engagement.

David is also a non-executive director for both Horizon Energy Ventures Ltd (who finance sustainable energy solutions) and Yorkshire Energy Services CIC (who deliver energy efficiency measures to help alleviate fuel poverty), as well as a Governor/Director of The Aspire Academy, an alternative provision school whose aim is to reduce the rate of permanent exclusion in key stage 4 pupils.

Board Roles:

Chair of the Transformation Committee; Member of the People and Remuneration Committee and Nominations Committee; interim Senior Independent Director overseeing the appointment of a new Chair (July to December 2022).

The directors

(Continued)



Ian Graves **Industry non-executive director**

Ian was appointed to the Elexon Board as an industry Non-Executive Director on 1 January 2023.

Ian started his career at Midlands Electricity, joining just after privatisation. His career journey has taken him on a variety of roles across networks and the power generation sector.

After directing the Power Sector at Costain, he joined National Grid leading interconnector development amongst other non-regulated activity. In 2019 he became the CEO of PeakGen, which provides flexibility and ancillary services to electricity network system operators through generation and battery storage. PeakGen also operate 400kV Transmission assets, as well as energy trading and optimisation services.

As well as his successful executive career, Ian has enjoyed a portfolio of non-executive roles within a broad range of organisations. He was previously on the board of the Midlands Air Ambulance Charity, as well as providing non-executive oversight on a redevelopment project for Birmingham Symphony Hall. Currently Ian serves as Chair of TNEI, where he was involved in taking the organisation to employee-owned status.

Board Roles:

Member of the Audit and Risk Committee and MHHS Committee.



Tim Fitzpatrick **Independent non-executive director**

Tim was appointed to the Elexon Board as an independent Non-Executive Director on 1 July 2022.

Tim is part of the founding Board and senior Non-executive Director at the recently formed agriculturally focused Oxbury Bank Plc where he chairs both Audit committee and Remco. He is a senior advisor to Reply Group, a digital services, technology and consultancy multi-national company and also the Chair of Synch Payments DAC Board.

Previously he was a Non-executive Director and Audit committee chair at Pay.UK, as well as CEO at the UK high value payment operator CHAPS. Tim has also held a variety of senior executive positions in HSBC in the UK and overseas, as well as senior advisory roles in the Bank of England and London Metal Exchange. His experience brings a broad range of competencies focusing on business transformation, critical national infrastructure, regulatory engagement, and systemic and operational risk.

Board Roles:

Chair of Audit and Risk Committee and a Member of the MHHS Committee.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgments and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's corporate website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position, performance, business model and strategy.

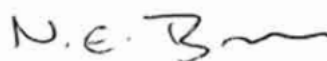
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.



Nicholas Brown
Company Secretary
21 June 2023

CORPORATE GOVERNANCE STATEMENT



Corporate governance

Elexon occupies a unique position of accountability and responsibility to the electricity industry and the Company's Board therefore recognises the importance and value of good corporate governance. Consequently, whilst Elexon is not a listed company and the UK Corporate Governance Code (2018) is not applicable to the Company, we do seek to follow best practice, including those principles in the Corporate Governance Code that are relevant to the Company. A general narrative statement relating to the governance of the Group appears below.

Board Leadership and Company Purpose

Sustainability of business model

We generate and preserve value over the longer term by:

- Providing up-to-date IT infrastructure and platforms to build scalable, flexible and stable services that support new markets and new retail, wholesale products and services in an open and accessible way
- Leveraging our existing skills, experience and understanding of the markets, policy and regulation to enable us to explore new opportunities for the benefit of the energy industry, innovators and consumers, and
- Continuing to focus on the personal development of our people in order to build capability in the business to support the BSC and EMR, in a rapidly changing energy market, and to aid the Governments and Regulator in their Net Zero ambitions.

The Board considers and addresses opportunities and risks to the future success of the business through:

- Receiving regular reporting on and discussing the strategic activities
- Developing thinking on opportunities and risk through focused strategy meetings as well as regular strategy discussions at the Board
- The Audit and Risk Committee regularly considering [risk management](#), including focussing on risks to the ongoing robustness of the business
- The Board discussions including a substantial focus on strategy, which reflect considerations about the sustainability of the business model.



Corporate Governance Statement (continued)

Culture

One of the key initiatives in the Company's strategy is to build a sustainable performance culture. The Board encourages and monitors this through regular reporting to it, and to the People and Remuneration Committee, on achieving the deliverables and milestones that comprise this initiative. In addition, the Board:

- Receives regular reporting on people (including, health, safety and wellbeing)
- Reviews the employee engagement survey
- Where appropriate, engages with the workforce (e.g. by attendance at all staff 'town hall' meetings)
- Reviews relevant policies, including the Company's Code of Ethics and Whistleblowing Policy
- Receives, through the Audit and Risk Committee, internal audit updates on fraud and whistleblowing
- Monitors the nature and extent of workforce engagement with internal and external audits
- Strives, through Board members' own behaviours, to set the 'tone from the top' for management and the workforce in sharing and living the purpose, values and strategy.

As regards Equality, Diversity and Inclusion:

- The Board focuses on equality, diversity and inclusion in its own work: Board members are undertaking the same diversity training as the workforce and expect to be able to attend Company EDI-related talks/ forum meetings
- Although the gender balance of the Board comprises of four males and four females, in order to improve broader diversity further on the Board, the Board has agreed that for future Board appointments, it will engage with candidates in different ways with the intention of encouraging a more diverse set of candidates
- Board members have agreed ways of working that create a safe and inclusive environment for presenters to the Board.

Further mechanisms the Board uses to engage with the workforce are detailed in the 'engagement with the workforce' section.

Investing in and rewarding the workforce

The People strategy includes a number of components including supporting diversity, inclusion and the wellbeing of Elexon's workforce, more details of which can be found in the [Corporate Social Responsibility](#) report.

The Company's approach to rewarding the workforce is set out in the staff remuneration policy approved by the Board and which is based on the following principles:

- Ensuring equal treatment as regards pay and benefits
- Paying market rates that have been benchmarked against roles in comparable sectors, and
- Endeavouring within reason to reflect remuneration best practice.

The Board has also appointed a designated workforce Non-Executive Director who, amongst other things, ensures that the 'employee voice' is considered in discussions about remuneration. In order to better align this role to the Board under people related activities, the Board has agreed that the designated workforce Non-Executive Director should be the chair of the People and Remuneration Committee (Anne Heal).



Engagement with the workforce

Board members have agreed that it is important for colleagues to know who the Directors are, what the Board does and for Board Members to have the opportunity to interact with colleagues.

To that end, the Board actively engages with the workforce using the following mechanisms:

- The Board has appointed the Chair of the People and Remuneration Committee as its designated workforce Non-Executive Director. She will fulfil this role through formal engagement with the workforce at employee events, informal engagement with colleagues during the Chair's attendance at the Elexon offices and through personal availability. Further, she will ensure that workforce interests are taken into account in relevant Board decision making
- The Elexon Chair continues to regularly meet new starters and engages generally with colleagues
- Board members engage directly with the workforce through attendance at regular breakfast briefings on various topics with different groups amongst the workforce
- The Board reviews the annual staff survey results and the actions being taken to address any issues
- Attendance by individual Non-Executive Directors (NEDs) at monthly Town Hall meetings (where they can be introduced to colleagues)
- The Board receives regular KPIs and reporting on 'People' (including staff turnover, health, safety and wellbeing), and
- The Company's Chief People Officer attends various meetings of the Board and its Committees, including when the Board considers the annual staff survey and annual pay reviews.

Whistleblowing

The Board has established a whistleblowing policy and procedures, and the Chair of the Audit and Risk Committee is the Company's whistleblowing Champion. The policy and procedures for handling whistleblowing are reviewed annually by the Audit and Risk Committee.

Engagement with shareholders and stakeholders

The rights and responsibilities of the Company's sole shareholder, NGESO, are constrained by the BSC. Having regard to the role of Elexon under the BSC and its position as a central body for the electricity industry, the Company undertakes a dialogue with a broad range of stakeholders. Elexon's relationship with BSC Parties, as the Company's funding parties, is particularly key. In recognition of that, and in order to ensure the accountability of the Board to BSC Parties, BSC Parties have the collective right to remove Board members and to vote on their re-election. More details on Elexon's engagement with its stakeholders, suppliers and customers can be found in the [Strategic Report](#).

Directors' Conflicts of Interest

Directors declare interests where relevant on Board discussions. Conflicts of interests are managed by the Chair and Board determining the extent to which a conflicted Director should participate in Board discussions on the relevant matter. The company has a Code of Ethics, which includes a conflicts of interest policy. The company secretary maintains a register of interests that is updated whenever new interests are reported and circulated at least annually.

Noting of Directors' Concerns

The Chair encourages openness and debate. Furthermore, there is an opportunity after meetings for Directors to raise any concerns in a more informal setting. Should Directors have concerns about the operation of the Board or the management of the Company that cannot be resolved, their concerns would be recorded in the minutes of that meeting. If Directors disagree with a decision of the Board, this would also be recorded in the minutes. If, on resignation, any Non-Executive Director had such concerns they would be invited to provide a written statement to the Chair, for circulation to the Board. No Directors have resigned in these circumstances.

Division of Responsibilities

The Board

The Board is comprised of a Non-Executive Chair, the Chief Executive Officer, the Director of Finance and Commercial and five independent NEDs. It therefore satisfies the requirement for at least half the Board, excluding the Chair, to be Non-Executive Directors whom the Board considers to be independent.

Independence of Non-Executive Directors

The Board considers that all of the Non-Executive Directors are independent.

Clare Duffy is a senior employee of ESB (Electricity Supply Board), Sara Vaughan was, until 26 November 2020, a director of E.ON, David Titterton was, until 30 November 2019, a director at Npower and Ian Graves is the CEO of PeakGen. As BSC Parties, ESB, E.ON, Npower and PeakGen currently have, or had within three years prior to the 2021/22 year, a material business relationship with the Company.

This is relevant to the criteria identified in the UK Corporate Governance Code relating to Directors' independence but the Board nonetheless considers that Clare Duffy, Sara Vaughan, David Titterton and Ian Graves are independent. The rationale for this is that appointing industry Non-Executive Directors from amongst BSC Parties is an important element of ensuring that Elexon has the appropriate balance of skills, experience, independence and knowledge on the Board. The Board has considered the contribution of Clare Duffy, Sara Vaughan, David Titterton and Ian Graves to the discussions and decisions of the Board and has determined that they continue to demonstrate independence of judgement and character.

Senior Independent Director

Clare Duffy is the Senior Independent Director. The main responsibilities of the Senior Independent Director are to:

- Provide a sounding board for the Chair and to serve as an intermediary with other Directors when necessary,
- Be available to stakeholders if they have concerns where contact through the normal channels of Chair, Chief Executive Officer or the Executive team has failed to resolve or for which such contact is inappropriate, and
- Meet with other Non-Executive Directors without the Chair present at least annually in order to appraise the Chair's performance.

Scrutinising the Performance of Executive Directors

Elexon has two Executive Directors, the Chief Executive Officer and the Director of Finance and Commercial, whom the Non-Executive Directors are responsible for appointing and removing.

The People and Remuneration Committee (in consultation with the other Non-Executive Directors and, in relation to the Executive Team, the CEO) sets performance objectives for the CEO and Executive Team and holds management to account against these objectives. The Chief Executive Officer provides a monthly report setting out all material matters affecting the group during the previous month.

The performance of the CEO is assessed by the People and Remuneration Committee, comprised of Non-Executive Directors, of which the Company Chair is a member. These discussions are held without the CEO present.

Division of Responsibilities

The Board has a written division of responsibilities between the Chair and Chief Executive Officer, which is available on the Company's corporate website. The Chair is responsible for running the Board and ensuring its effectiveness in all aspects of its role, whilst the Chief Executive Officer has executive responsibility for running the Company.

The Non-Executive Directors provide constructive challenge and help develop proposals on strategy. They are responsible for scrutinising the performance of management, determining appropriate levels of remuneration for the Executive team and satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

Division of Responsibilities

(continued)

Governance Framework

The Governance framework at Elexon is set out in the diagram below.



Division of Responsibilities

(continued)

The Board has a formal schedule of reserved matters, which is available on Elexon's [corporate website](#). Each of the Board's Committees has formal terms of reference. There are descriptions in this Report of the roles of the [Audit and Risk Committee](#), [People and Remuneration Committee](#), [Nomination Committee](#), [Transformation Committee](#) and [MHHS Committee](#).

Attendance at Meetings

The Board, and each of its Committees, hold regular meetings scheduled throughout the year and ad hoc meetings as required. All Directors are expected to attend all Board and relevant Committee meetings. During the course of 2022/23, all meetings were held through a hybrid approach (attendance at the Elexon offices and remotely). Details of attendance by Directors at Board and Committee meetings during 2022/23 are set out in the table below.

Name of Director	Board	Audit and Risk Committee	MHHS Committee	People and Remuneration Committee	Nominations Committee	Transformation Committee
Total number of meetings	10	5	8	5	4	5
Michael Gibbons	4 [4]	-	3 [3]	3 [3]	3 [3]	-
Sara Vaughan	10 [10]	3 [3]*	8 [8]	2 [2]	3 [3]	5 [5]
Clare Duffy	10 [10]	5 [5]	-	5 [5]	4 [4]	5 [5]
David Rigney	2 [2]	1 [1]	-	-	-	-
Simon McCalla	10 [10]	-	8 [8]	-	-	-
Anne Heal	10 [10]	-	-	5 [5]	4 [4]	-
Ian Graves	4 [4]	1 [1]	2 [2]	-	-	5 [5]
David Titterton	10 [10]	-	-	5 [5]	4 [4]	-
Tim Fitzpatrick	7 [7]	4 [4]	7 [7]	-	4 [4]	-
Yasmin Mouse	3 [4]	-	-	-	-	-

* As NED, prior to becoming Chair.

Notes

- Numbers in brackets show the number of meetings that each Director was a member of the Board or a Committee and entitled to attend. Board and Committee membership is included in the [Directors](#) section.
- Following Sara Vaughan's appointment as Chair of the Board and Tim Fitzpatrick and Ian Graves' appointments to the Board, the membership of the Committees was impacted as follows:
 - Sara Vaughan became Chair of the MHHS Committee and Nominations Committee
 - Tim Fitzpatrick became Chair of the Audit and Risk Committee as well as a Member of the MHHS Committee and Sara Vaughan left the Audit and Risk Committee, and
 - Ian Graves became a Member of the Audit and Risk Committee and the MHHS Committee.

The attendance records above therefore show some Directors attending Committee meetings in different capacities throughout the year.

- Executive Directors attend certain Committees in order to support the work of those Committees, but not as members

Division of Responsibilities

(continued)

Information and support

The Chair is responsible for promoting a culture of openness, challenge and scrutiny on the Board, and ensuring constructive relations between the Executive Team and Non-Executive Directors. The Chair, supported by the Company Secretary, also ensures that the Board receives accurate, timely and clear information.

Board meetings are followed by an informal wrap-up session, which provides an opportunity for the Directors to discuss, amongst other things, the openness of debate and the quality of information flows with a view to ensuring that standards are maintained or enhanced.

The formal agenda for each Board and Committee meeting is circulated, together with papers relating to each of the matters on the agenda, one week in advance. A record of actions is created following each meeting and discussed at the following meeting. Formal minutes of all Board and Committee meetings are circulated to all Directors before the next Board or Committee meeting and are considered for approval at that Board meeting.

All of the Company's Directors are entitled to obtain independent professional advice at the Company's expense and have access to the services of the Company Secretary.

Composition, Succession and Evaluation Principles

Board Composition

The Directors collectively bring a combination of skills, experience and knowledge to the Company. The Board regularly reviews its skills matrix to ensure that there remains an appropriate balance on the Board. The Board last reviewed its skills matrix in advance of the new Non-Executive Director recruitment process, which commenced in March 2023.

The next refreshing of Board membership will take place in October 2023 when Clare Duffy (Senior Independent Director and Industry Non-Executive Director) steps down.

Annual re-election

The provisions of the BSC require only those Directors who have been appointed, or reappointed, during the previous year to be subject to re-election at the next Annual BSC Meeting. However, the Board has resolved all Directors will seek re-election on an annual basis.

Chair

The current Chair, Sara Vaughan, was appointed to her role on 1 October 2022. There was a requirement for the Chair to be independent on appointment, where, taking into account that the Chair had been considered independent as a Non-Executive Director, and reflecting the views of Ofgem and the Panel, the Board concluded that she was independent. The Board recognised that Sara had undertaken the role of interim CEO for a short period, but concluded that the circumstances and duration of this role (as interim) were not of a nature that would impact her independence.



Composition, Succession and Evaluation Principles

(Continued)

Evaluation and effectiveness

The last externally facilitated evaluation was completed in October 2021 by Campbell Tickell (CT), which led to a number of recommendations. In November 2022, the Board completed an internal evaluation, in the form of a personal 360° assessment, a review of the effectiveness of the operation of the Board and its committees and a look at whether the CT recommendations had been implemented. This was considered by the Board and it was agreed that there were no areas of real concern but there were a number of follow-up actions that might usefully be taken.

This led to the following further work:

- The Board has reviewed its schedule of reserved matters, and each Committee has reviewed its terms of reference (which have subsequently been approved by the Board)
- The Board reviewed the information it received and whether this was sufficient and timely to enable it to take the decisions it needed to take. It was agreed that this would be taken forward jointly by the Company Secretary and Chief Executive Officer
- The Board reviewed its approach to colleague engagement, further details of which can be found in the [engagement with workforce](#) section, and
- The Board agreed to enhance its approach to equality, diversity and inclusion, more further details of which can be found in the [culture](#) section.

Development

The Chair, along with the Company Secretary, is responsible for the induction of new Directors. As part of their induction, new directors receive an induction programme that is tailored to their individual needs and includes:

- Meetings with the Chief Executive and the Executive team on Elexon's business, strategy and stakeholders and the challenges facing the business
- Meetings with the Company Secretary on Elexon's corporate governance and the Chief People Officer on Elexon's people
- A comprehensive directors' information pack
- An introduction to the BSC Panel and the BSC.

To strengthen the Directors' knowledge and understanding of the Company, Board members attend briefing sessions with different teams within the Company. Board meetings also regularly include briefings on specific topics of relevance to the Company's activities. During the course of this year, topics covered have included cyber security training and presentations on the impact of MHHS on Settlement, and the transition to Distribution System Operator.

Audit, Risk and Internal Controls

Audit and Risk Committee

The Audit and Risk Committee is comprised of three independent Non-Executive Directors and is chaired by Tim Fitzpatrick who has recent and relevant financial experience.

All members of the Committee are competent in the sector in which the company operates. The Company Chair is not a member of the Committee.

More information on the role of the Audit and Risk Committee and its activities during the year can be found in the [Committee's report](#).

Going Concern and Viability Statement

Elexon's [Going Concern statement](#) can be found in the Directors' Report. The [Viability Statement](#) can be found in the [Strategic Report](#).

Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the [principal risks](#) it is willing to take in achieving its strategic objectives.

The Board, supported by the Audit and Risk Committee, is responsible for:

- Determining the nature and extent of the principal risks that the Company is willing to take in achieving its objectives
- The Company's system of risk management and internal control, and
- Reviewing the effectiveness of those systems.

Division of Responsibilities

(continued)

The Board sets and approves risk appetite on an annual basis at a risk category level to provide guidance to management on response to risks. The corporate risk register is reviewed by the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee also undertakes periodic deep dives into the management of specific risks and at least twice per year reviews all principal risks on the corporate risk register.

Risks are reviewed monthly by the responsible individuals assigned to the risk. The monthly review considers whether the risk is reducing or increasing as a result of inherent risk factors or the mitigation applied. Any new risks are also considered and added as necessary to the corporate risk register and any risks that are no longer relevant are closed. Significant changes to existing risks and any new or emerging risks are discussed monthly by the Executive leadership team. All risks on the corporate risk register have an Executive team member assigned who is accountable for monitoring the management of that risk over time.

In addition, the Company's project management approach involves project teams identifying, analysing, evaluating and addressing risks associated with each project. Each project maintains its own risk register with significant project risks escalated to the corporate risk register. The Company maintains a project portfolio that ensures that risks and issues on one project which impact on other projects are identified and managed. Transformation programme risks are also reported to the Transformation Committee quarterly.

Elxon has an internal audit function that provides the Audit and Risk Committee with independent, objective assurance regarding internal controls and risk management processes as part of the Company's risk management and assurance regime. The Audit and Risk Committee agrees a programme of internal audit work annually and reviews progress at each of its meetings with the internal audit manager. All members of the Committee are provided with the reports prepared by the internal audit manager as part of the internal audit work plan.

Elxon has also appointed an external advisor who has supported regular risk management processes, brought an external perspective and enhanced our risk management capabilities.

Remuneration

People and Remuneration Committee

The Board has established a People and Remuneration Committee, which is responsible for recommending to the Board the remuneration policy and setting the performance objectives and remuneration for the Executive team in accordance with the remuneration policy, and the remuneration for the Chair.

The [Report of People and Remuneration Committee](#) outlines the [purpose](#) and activities of the Committee during the year and sets out excerpts of the Directors' remuneration policy.

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the non-conflicted Directors (the Executive Director(s) and the Company Chair). The level of remuneration reflects the time commitments and responsibilities of the role as well as taking into account the need to attract and retain individuals with the necessary skills and experience. Directors' fees are benchmarked periodically taking into account the fees paid by comparable organisations.



Report of Audit & Risk Committee

The Audit and Risk Committee is chaired by Tim Fitzpatrick, a non-industry NED, who has recent, relevant and significant financial experience. The other members of the Audit and Risk Committee are Clare Duffy and Ian Graves who have relevant experience in the electricity industry.

Purpose

The Terms of Reference for the Audit and Risk Committee are available on Elexon's corporate website. Its main responsibilities include monitoring the integrity of the financial statements of the Company, reviewing and monitoring the external auditor's independence and objectivity, in particular, the provision of non-audit services that they provide, and determining the nature and extent of the principal risks that the Company is willing to take in achieving its objectives, establishing the Company's system of risk management and internal control and reviewing the effectiveness of those systems.

In discharging these responsibilities, the Audit and Risk Committee considers reports from the external auditor, internal auditor and from management, and monitors the implementation of any necessary actions including an independent review of nominated areas of internal control.

Report

The key items considered by the Committee during the year were:

- The 2022 annual report
- The 2022 audit report from BDO LLP
- The 2023 audit work plan and accounting policies
- Bi-annual risk deep dives
- An annual review of the effectiveness of the Company's external auditors
- The results of reviews carried out by the Company's internal auditor
- The principal risks and uncertainties faced by the Company, which are reviewed on a quarterly basis
- A review of the Company's risk management system
- Quarterly reviews of the Company's information security arrangements
- A review of the Company's gifts and hospitality register
- A review of the Company's whistleblowing arrangements.

Risk management remains a particular focus of the Committee, with further details of set out on the [risk management and internal control section](#).

Significant issues

The Committee did not consider that there were any significant issues in relation to the financial statements that needed to be addressed.

Effectiveness of the External Audit Process

The Audit and Risk Committee undertakes an annual assessment of the independence and effectiveness of the annual audit process. This involves the completion of a comprehensive questionnaire by the Director of Finance and Commercial in consultation with the Audit and Risk Committee.

The external auditors, BDO LLP, were appointed in October 2017 following a competitive tender.

Non-Audit Services

The note [Audit Fees](#) to the financial statements includes a description of non-audit services performed by Elexon's external auditor during the year. The objectivity and independence of the auditor are safeguarded by limiting the value of non-audit services performed by the external auditor, the periodic rotation of the lead audit partner, independent reporting lines from the auditors to the Committee and the opportunity to meet with the Committee privately.

"We are preparing for a new world in which code management is performed under licence and regulated by Ofgem."

Report of People and Remuneration Committee

The People and Remuneration Committee is chaired by Anne Heal; Sara Vaughan, Clare Duffy and David Titterton are all members of this Committee.

Purpose

The Terms of Reference for the People and Remuneration Committee are available on Elexon's corporate website. Its main responsibilities include:

- Making recommendations to the Board on the Executive Team Remuneration Policy and the Staff Remuneration Policy
- Determining objectives for the performance related element of Executive remuneration and determining the extent to which such objectives have been achieved
- Determining Executive remuneration. In determining Executive remuneration the Committee adheres to a formal and transparent procedure.

During this year, the scope of the People and Remuneration Committee's responsibilities was expanded to encompass people and culture.

As a result, the People and Remuneration Committee also:

- Monitors whether the culture of the organisation is aligned to its purpose, values and strategy
- Has oversight of the Company's People Strategy
- Review the Company's policies and relevant key performance indicators (in respect of Health, Safety and Wellbeing Monitors performance against the Company's Equality, Diversity and Inclusion (EDI) strategy).

Report

The key items considered by the Committee during the year were:

- Reviewing the Company's People Strategy including strategies to mitigate workforce turnover
- Approving Executive annual and long term incentive payments that have arisen during the year
- Setting Executive objectives for 2022/23
- Setting the Executive's strategic incentive plan objectives for 2022/25
- Reviewing diversity related remuneration data
- Reviewing all staff remuneration, including a review of annual performance related remuneration
- Reviewing the Company's workforce performance management approach
- Reviewing the Company's employee survey results.

Note [Information regarding Directors and employees](#) to the financial statements sets out the Directors' remuneration for the year.

Remuneration Consultants

The Committee used MCR Consulting to assist with reviewing Executive remuneration.

Process

In determining Executive remuneration the Committee adheres to a formal and robust procedure. The Committee is comprised entirely of independent Non-executive Directors who determine Executive remuneration in accordance with a policy that has been set by the Board. Remuneration is set within the scope of the Company's total annual budget. Prior to approving the annual budget, the Board seeks comments from the Panel and BSC Parties.



Report of People and Remuneration Committee

(Continued)

Remuneration Policy

The Company's Remuneration Policy for its executive management team is aligned to best practice. The aim of the policy is an Executive total reward package that supports the Company's strategy and ensures that it remains competitive in its ability to attract and retain the right talent. In doing so, Elexon's remuneration strategy and policy continue to be informed by the external market, performance, internal equity, and affordability. The underlying reward arrangements reflect the not-for-profit status and financial position of Elexon. They therefore balance market practice, organisational needs, the needs of a talented and diverse workforce, together with stakeholder interests and expectations.

The key principles of the Remuneration Policy include:

- Total reward packages that are aligned to job level and are commensurate with the role performed
- Elexon's intention (on base pay) to pay within the mid-market range for the job, subject to individual factors and affordability
- Incentives that are aligned to market and job level and provide scope to differentiate reward based on Elexon and individual performance
- The provision of benefits, including retirement benefits, based on a standard, consistent, non-hierarchical approach for all employees
- Elexon potential total reward at target and maximum being reviewed against the market median total reward considering the appropriateness of overall reward levels, the balance between fixed and variable reward, and the degree of performance leverage.

Report of Nominations Committee

The Nominations Committee is chaired by Sara Vaughan. Its other members are Anne Heal, Clare Duffy, David Titterton, Ian Graves and Tim Fitzpatrick. When making appointments to the Board, a smaller sub-group comprised of the Chair and two Non-Executive Directors undertake shortlisting and interviewing.

Purpose

The Terms of Reference for the Nominations Committee are available on Elexon's corporate website. Its main responsibilities include:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board
- Succession planning
- Identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise (using open advertising and/or an external search consultancy).

Report

The key items considered by the Committee during the year were:

- The appointment of Sara Vaughan as Chair of the Elexon Board from 1 October 2022. The process for this appointment was chaired by the Senior Independent Director (who liaised with the Deputy Chair of the BSC Panel as the role involved chairing both the Board and the BSC Panel)
- The appointment of Tim Fitzpatrick as a non-industry Non-Executive Director, and Chair of the Audit and Risk Committee, which took effect from 1 July 2022
- The appointment of Ian Graves as an industry Non-Executive Director, which took effect from 1 January 2023
- The appointment of Yasmin Mouse as an Executive Director, which took effect from 1 January 2023
- The appointment of Clare Duffy as the Senior Independent Director from 1 January 2023
- In anticipation of the end of Clare Duffy's term of office, Board members reviewed and updated the Board's skills matrix.

Report of Nominations Committee

(Continued)

The external search firm, Saxton Bampfylde, was used for all three formal appointment processes. Saxton Bampfylde has no other connection with the Company. For these roles, a number of candidates were considered and interviewed by a sub-group of the Nominations Committee, working with the Chief People Officer.

Following a tender, a new external search consultant, Audeliss, will be used for the next Board appointment process.

Evaluations

The Board is responsible for the annual [evaluation process](#).

Diversity

As regards the gender balance of the Board and senior management, from 1 January 2023, the Board is comprised of four male and four female Directors. The membership of the Executive Team is comprised of three males and five females.

Report of Transformation Committee

The Transformation Committee is chaired by David Titterton. The other members of the Transformation Committee are Clare Duffy and Sara Vaughan.

Purpose

The purpose of the Committee is to:

- Provide oversight of significant technology change
- Approve investments, contracts and changes that fall within the scope of parameters set by the Board, and to make recommendations to the Board in relation to matters that are reserved to the Board.

Report

The Committee's work has included:

- Monitoring of the delivery of the Kinnect and Helix Programmes including cost, time, quality and outcomes
- Specifically, in relation to Helix, monitoring the impact of the MHHS re-plan on the programme, including the impact on the Company's technology change budgets, resource demand and reputational risk
- Reviewing the Company's strategy for future significant technology investments, its sourcing strategy and key supplier relationships
- Approval of investment proposals, and contracts, for both the Kinnect and Helix Programmes
- Reviewing the risk profile of significant technology change
- Monitoring the resourcing needs of significant technology change, and
- Internal and external assurance of significant technology change.

"Our new strategy will build on everything that Elexon does well, as an independent, reliable market expert. It gives us a sharper focus on being a high performing code manager by delivering value to Parties and excellent Settlement services."

Report of Market-wide Half Hourly Settlement (MHHS) Committee

The MHHS Committee is chaired by Sara Vaughan. The other members of the MHHS Committee are Ian Graves, Tim Fitzpatrick and Simon McCalla.

Purpose

The Board established this Committee in order to oversee Elexon's role as the MHHS Programme Implementation Manager (IM). Taking into account the MHHS business separation requirements, the MHHS Committee fulfils the obligations on the Board to maintain oversight of the IM role, including:

- Monitoring and providing oversight of the performance of the MHHS Programme IM
- Monitoring and providing oversight of the performance of the MHHS Programme's service providers and personnel
- Monitoring and providing oversight of the financial performance of the MHHS Programme IM
- Monitoring and providing oversight of the MHHS Separation Solution requirements.

This Committee is not involved in providing any monitoring or oversight of Elexon's role as an MHHS Programme Participant. Additionally, it is not involved in any decision making on MHHS priorities, risks and issue mitigation, change requests, timelines, incentives or penalties in relation to the performance of other Programme Participants.

Report

As a newly established committee, the MHHS Committee initially focused on the scope of its work and how it could contribute most effectively to supporting the successful delivery of the MHHS Programme. This involved reviewing its terms of reference, determining the nature of the reporting it received, its interactions with the independent programme assurance, reviewing the separation solution and reviewing the management of the programme by Elexon.

Subsequently, the Committee has largely been focused on providing the oversight of the MHHS Programme IM function as the MHHS re-plan has progressed, liaising with and receiving reports from the Independent Assurance Provider (PWC) and providing oversight of the Programme's service providers.



INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ELEXON LIMITED



Opinion on the financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's and the Parent Company's result for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Elexon Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditor's Report

(continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- The Parent Company financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of Directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

(continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the Parent Company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and corporation tax. The Group and Parent Company are also subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries.

Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Evaluating management's controls designed to prevent and detect irregularities, and
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the [Financial Reporting Council's website](#). This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jack Draycott
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

21 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated profit & loss account

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Turnover	99,419	73,959
Cost of sales	(99,848)	(73,957)
Operating result	(429)	2
Interest and similar income	429	(2)
Result from ordinary activities before taxation	-	-
Tax on result from ordinary activities	-	-
Result for the financial year	-	-
Retained result brought forward	-	-
Retained result carried forward	-	-

There are no movements in reserves, shareholder's funds, or any other recognised gains or losses and consequently no Statement of changes in equity and Statement of comprehensive income and retained earnings have been presented.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company, Elexon Limited, is not presented as part of these financial statements. The parent Company's result for the financial year was £nil (2022: £nil).

The [Notes](#) form part of these financial statements.

Consolidated balance sheet

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fixed assets		
Tangible fixed assets	229	158
Intangible fixed assets	-	6
	229	164
Current assets		
Debtors	229,471	325,753
Cash at bank and in hand	493,826	541,741
	723,297	867,494
Creditors: amounts falling due within one year	(723,526)	(867,658)
Net current liabilities	(229)	(164)
Total assets less current liabilities	-	-
Net assets	-	-
Capital and reserves		
Called up share capital	-	-
Shareholder's funds	-	-

The [Notes](#) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 21 June 2023.

Signed on behalf of the Board of Directors
Company Registration Number; 03782949



Sara Vaughan
Director

Company balance sheet

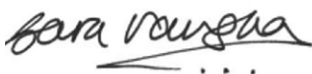
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fixed assets		
Tangible fixed assets	229	158
Intangible fixed assets	-	6
Investment	-	-
	229	164
Current assets		
Debtors	5,419	3,048
Cash at bank and in hand	14,569	12,077
	19,988	15,125
Creditors: amounts falling due within one year	(20,217)	(15,289)
	(229)	(164)
Net current liabilities		
	-	-
Total assets less current liabilities	-	-
Creditors: amounts falling due after more than one year	-	-
	-	-
Net assets	-	-
Capital and reserves	-	-
Called up share capital	-	-
Shareholder's funds	-	-

The [Notes](#) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 21 June 2023.

Signed on behalf of the Board of Directors

Company Registration Number; 03782949



Sara Vaughan
Director

Consolidated cash flow statement

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating activities		
Net cash outflow/inflow from operating activities	(48,081)	407,482
Returns on investments and servicing of finance		
Interest received	429	[2]
Net cash inflow/(outflow) from returns on investments and servicing of finance	429	[2]
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(263)	(53)
Payments to acquire intangible fixed assets	-	-
Receipts from sales of tangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	(263)	(53)
(Decrease)/Increase in cash and cash equivalents	(47,915)	407,427

The [notes](#) form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS



Accounting Policies

The financial statements are prepared in accordance with United Kingdom law and Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. They have all been applied consistently throughout the year, and to the preceding year.

The particular accounting policies adopted are described below.

Basis of accounting

Elexon Limited is a private company, limited by shares and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on [page 2](#). The nature of the Company's operations and its principal activities are set out in the [Strategic Report](#).

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The financial statements cover the reporting period 1 April 2022 to 31 March 2023.

The functional currency of Elexon Limited is in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Elexon Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to presentation of a profit and loss and cash flow statement.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries.

Accounting Policies

(Continued)

Basis of preparation

Arrangements are in place to manage financial risk, as stated in the [Strategic Report](#). As a result the Board considers that there is a reasonable expectation that the Company will continue in operating existence for the foreseeable future and has therefore used the going concern basis of accounting in the preparation of the financial statements. Please refer to the [Directors' Report of Going Concern, Viability Statement](#) and the [Strategic Report](#) for further information.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost, together with any incidental cost of acquisition.

Depreciation is calculated on a straight-line basis over the useful life of the tangible fixed assets. The estimated useful life used for the purpose of these financial statements is:

Fixtures and fittings - 4 years
Office and IT equipment - 3 years
Operational assets: metering equipment - 10 years

Intangible fixed assets

Previous software developments costs have been recognised as intangible fixed assets and are stated at original cost, together with any incidental cost of acquisition. Amortisation is calculated on a straight-line basis over the useful life of the intangible assets. The estimated useful life used for the purpose of these accounts is three years which is the development cost of the asset.

Recognition of revenue

The financial statements have been prepared on the basis of revenue and cost incurred in the year, which are considered to reflect the services provided in the year relating to BSC Parties under the terms of the BSC. Income is therefore recognised over the periods necessary to match it with the related costs which it is intended to compensate on a systematic basis.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated or reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term. Rent free periods are spread over the lease term on a straight-line basis.

Pension and other post-retirement benefits

As described in the [pension scheme](#), the Group contributes to the NGET section of the Electricity Supply Pension Scheme (ESPS), a defined benefit scheme. The Group is currently unable to identify separately its share of NGET's section of the Scheme's underlying assets and liabilities and, accordingly, contributions are accounted for as if it were a defined contribution scheme.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as accruals or prepayments in the balance sheet.

Related party transactions

In line with Financial Reporting Standard 102 section 33 (Related Party Disclosures), the Company is not required to disclose transactions with wholly-owned subsidiaries.

Debtors and Creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit or loss in other operating expenses.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance unit.

Group turnover

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
BSC Section D charges	93,838	67,951
EMR operational levy funded income	5,569	6,001
Other Income	12	7
	99,419	73,959

Turnover in the year primarily represents amounts due from BSC Parties under the terms of the BSC. There is a reconciliation which charges/credits the difference between amounts invoiced to each BSC Party relating to the financial year and the amount due from each BSC Party under the terms of the BSC. Any difference is deferred or accrued as appropriate.

All turnover arises from activities in the UK.



Information regarding Directors and employees

The remuneration of Group Directors for the year ended 31 March 2023 is set out below:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Directors' remuneration	726	889
Emoluments (including benefits in kind)		
Remuneration of the highest paid director:	222	432
Emoluments (including benefits in kind)		

The Directors received benefits of £4,000 from Elexon in 2023 (2022: £5,000). None of the Directors hold any shares or share options in the Company.

Information regarding employees is shown below.

	Year ended 31 March 2023	Year ended 31 March 2022
Average number of persons employed	241	232
Staff costs during the year (including Directors)	£'000	£'000
Wages and salaries	16,175	14,545
Social security costs	1,888	1,678
Pension costs	1,478	1,997
	19,541	18,220



Operating result

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Group Operating result is stated after charging		
Fixed Assets Depreciation	192	193
Amortisation of Intangible	6	34
Operating lease rentals		
– land and buildings	2,007	1,924
– plant and machinery	17	15
Fees payable to the Company's auditor for the audit of the Company's accounts	125	79
Total non-audit fees (tax, assurance and accounting advice)	7	6

Audit fees

Group audit fees payable to BDO LLP were £124,840 (2022: £78,500) of which £88,440 (2022: £67,000) relates to the Company.

Interest receivable and similar income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Bank interest	429	[2]

Tax on result from ordinary activities

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
United Kingdom corporation tax at 19% based on the result for the year	-	-

Tangible fixed assets

Group and company

	Operational assets/ Meter Equipment £'000	Office equipment, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Costs				
At 1 April 2022	496	1,593	1,262	3,351
Additions	-	8	255	263
Disposals	-	-	-	-
At 31 March 2023	496	1,601	1,517	3,614
Accumulated depreciation				
At 1 April 2022	496	1,484	1,213	3,193
Charge for the year	-	82	110	192
Disposals	-	-	-	-
At 31 March 2023	496	1,566	1,323	3,385
Net book value				
At 31 March 2023	-	35	194	229
At 31 March 2022	-	109	49	158



Intangible fixed assets

Group and Company

Amortisation charged for the year relate to our finance reporting software called Board which went live in April 2019, which allows the organisation access to more timely information. The Board solution, which was purchased in 2018/19, has a carrying amount as at 31 March 2023 of nil.

These assets are capitalised because they will bring future economic benefit and ensure the stability of the central systems and will mitigate the risks of failure and overall deliver better value for money to BSC parties.

	Intangible assets £'000
Costs	
At 1 April 2022	6,212
Additions	-
Disposals	-
At 31 March 2023	6,212
Accumulated amortisation	
At 1 April 2022	6,206
Charge for the year	6
Disposals	-
At 31 March 2023	6,212
Net book value	
At 31 March 2023	-
At 31 March 2022	6

Investments

Company investments at cost were £179 at 31 March 2023 (2022: £179).

Debtors

	Group	Group	Company	Company
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Trade debtors	131	118	131	118
Trading Party balances	222,065	322,737	-	-
Taxation and social security	625	733	625	658
Interest receivable on security deposits	2,400	-	-	-
Prepayments and accrued income	4,243	2,159	4,656	2,266
Other debtors	7	6	7	6
	229,471	325,753	5,419	3,048

£222,064,574 (2022: £322,737,044) of the Trading Party balances represents amounts due from trading parties under Section N of the BSC for the 31 days of trading from 1 March 2023 to 31 March 2023. An amount of £222,064,573 (2022: £322,652,800) is included in [Creditors: amounts falling due within one year](#).

Cash at bank and in hand

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash at Bank	15,311	12,370
Security Deposits	478,091	529,361
Pre-payment of trading charges	424	10
	493,826	541,741

Group cash of 493,825,773 (2022: £541,740,192) includes security deposits of £478,090,877 (2022: 529,361,073) lodged by Trading Parties with Elexon Clear under Section M of the BSC which also includes an amount of £918,009 (2022: £32,777) in respect of interest received on security deposits for subsequent disbursements to the Trading Parties in accordance with the BSC. £423,854 (2022: £9,750) of group cash at bank represents advance payments by trading parties for their trading balances.

Amounts lodged as security deposits are the absolute property of Elexon Clear but can only be used as credit cover for trading balances as set out in the BSC. The BSC also sets out the limited instances whereby security deposits are repaid to Trading Parties.

Company cash of £14,568,621 (2022: £12,076,971) comprises of cash at bank only.

Creditors: Amounts falling due within one year

	Group		Company	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Security deposits lodged by Trading Parties and Interest on Security deposits	478,091	529,399	-	-
Pre-payment of trading charges	424	-	-	-
Trade creditors	3,728	3,854	3,672	3,795
Trading Party balances	222,065	322,653	-	-
Accrued interest on security deposits	2,400	-	-	-
Taxation and social security	451	456	450	456
Other creditors	156	178	157	178
Accruals and deferred income	16,211	11,062	15,938	10,860
Overdraft	-	56	-	-
	723,526	867,658	20,217	15,289

Trading Party balances represent amounts due to trading parties under Section N of the BSC for the 31 days of trading from 1 March 2023 to 31 March 2023. Security Deposits lodged by Trading Parties represent amounts lodged by Trading Parties with Elexon Clear Limited under Section M of the BSC which also includes an amount of £918,009 (2022: £32,777) in respect of interest payable on the security deposits.

Called up share capital

	Year ended 31 March 2023 £	Year ended 31 March 2022 £
Authorised: 100 Ordinary shares of £1	100	100
Called up, allotted and fully paid: One Ordinary share of £1	1	1

Financial commitments

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group	Group	Company	Company
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Leases which expire				
- within one year	2,049	1,924	2,049	1,924
- between one and five years	6,842	7,695	6,842	7,695
- after five years		654		654

Operating lease commitments relate to land and buildings.

Ultimate parent Company

Elexon is wholly-owned by NGESO. The ultimate parent entity of NGESO is National Grid plc. Please refer to note: [Subsequent events](#).

The Directors are of the opinion that, under Financial Reporting Standard 102 (Accounting for Subsidiary Undertakings), the financial statements of Elexon do not require consolidation within the financial statements of National Grid plc group. Under Section C of the BSC, NGESO is prohibited from consolidating the financial results of Elexon or its subsidiaries with its own or with any of its affiliated entities.

Related Party transactions

There were no related parties' transactions this financial year (2022: £5k).

Pension Scheme

The total pension cost for the year ended 31 March 2023 from all schemes comprised regular contributions of £1,478,151 (2022: £1,996,809). At 31 March 2023, there were no pension liabilities (2022: £49,867).

Defined benefit scheme

As of 31 March 2023, 4% (2022: 5%) of the Group's employees were members of NGEG's section of the Electricity Supply Pension Scheme ('ESPS'), a defined benefit scheme. The ratio has reduced and is diluted as the number of staff employed has increased and this pension scheme is closed to new joiners. The assets of the Scheme are held in a separate trustee administered fund. The Scheme is divided into sections, one of which relates to NGEG. NGEG's section of the scheme provides final salary defined benefits and was closed to new entrants on 1 April 2006. The Group's pension contributions are determined on a section-wide basis as advised by the actuary and are fully expensed in the Profit and Loss Account.

For the scheme year 2022/23, Elexon incurred employer pension contribution costs of £325,764 (2022: £940,052) for its defined benefit scheme, no contribution was made in 2022/23 (2022: £598,404) towards the deficit repair.

The ESPS, in accordance with the Pensions Act 2004, is subject to a full actuarial valuation every three years. An annual review is also performed every year. The last valuation (completed in September 2020) set out the position as at 31 March 2020. The results of the new actuarial valuation are expected in September 2023. The actuary used is Aon Hewitt Limited. The results of this actuarial valuation have been used as the basis for assessing pension costs. In summary, the results of the last full actuarial review available showed that as at 31 March 2021:

- The total assets of the NG Scheme were £3,330.6m
- Liabilities i.e. the cost of providing the pensions benefits were £3,351.5m
- The deficit was therefore £20.9m, a decrease of £216.5m from the deficit of £237.4m identified in the previous 2019 valuation. The NG Scheme assets were calculated as being sufficient to meet 99.4% of its accrued liabilities (at the previous 2019 valuation assets, were sufficient to meet 93.0% of accrued liabilities).

The main reasons for the deficit are:

- Negative returns on the Group's return seeking assets
- The changes to financial assumptions principally due to a reduction in the real yields on index linked gilts which have worsened the position (although the increase in liabilities is partly offset by an increase in the value of the Liability Driven investment asset), and
- Company contributions which have improved the position.

Following the last review, employers' contribution is 42.8% (twice members' normal contributions, 2 x 8%, plus 26.8%). Elexon's share of the Deficit Repair is nil per month to 31 March 2023 (2022:£49,867).

Defined contribution scheme

Since 1 September 2006, all new permanent employees have only been offered the option to join a new Elexon Pension Scheme. The Elexon Pension Scheme is a defined contribution Group Stakeholder Pension Plan. Elexon matches employee contributions on a two for one basis to a maximum of 12% of basic salary. All eligible staff were auto enrolled. In the scheme year of 2022/23, Elexon incurred employer's contribution costs of £1,112,406 (2021/22: £979,156) for its defined contribution scheme.

Additional information on subsidiary undertakings

Subsidiary undertaking	Country of registration	Activity	Portion of ordinary shares held %	Physical Address
Elxon Clear Limited	England and Wales	Legal counterparty to balance and imbalance transactions per the BSC	100	4th Floor 350 Euston Road London
BSC Co. Limited	England and Wales	Dormant	100	
EMR Settlement Limited	England and Wales	Undertakes settlement functions for Electricity Market Reform	100	

The results of all of the above entities are included within the consolidated financial statements.

BSC Co. Limited [03837126] has taken advantage of the S448a exemption from preparing individual accounts as it is a dormant entity, and the directors of this company are exempt from the requirement to deliver a copy of the company's individual accounts to the register.

Reconciliation of operating result to net cash flow from operating activities

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating result	(429)	2
Fixed Assets Depreciation	192	193
Amortisation of Intangible	6	34
Loss on disposal of fixed assets	-	15
Increase/Decrease in debtors	96,282	(165,871)
Decrease/Increase in creditors	(95,647)	171,950
Decrease/Increase in trading deposit	(48,485)	401,159
NET CASH FLOW used in/from OP. ACTIVITIES	(48,081)	407,482

Reconciliation of net cash flow to movement in net cash

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Net cash at 1 April	541,741	134,314
Decrease/Increase in cash	(47,915)	407,427
Net cash at 31 March	493,826	541,741

Subsequent events

A) The government and Ofgem have committed to proceed with the creation of a new independent Future System Operator (FSO) covering gas and electricity markets. They have concluded that the most effective model for realising this vision is to establish the FSO as a public corporation, with operational independence from government and that the NGESO should form the FSO.

Elexon's shares are owned currently by the NGESO, and the FSO transition would therefore impact Elexon. Government and Ofgem have published their response on the future ownership of Elexon. Elexon is currently owned by National Grid and our ownership model needs to change as part of the transition to the Future System Operator Model.

The decision is that Elexon will remain in industry ownership, with the 13 largest energy suppliers and generators being mandated to take on shares in Elexon. There was wide-spread support among BSC stakeholders for retaining the industry ownership model for Elexon. We look forward to working with

Government, Ofgem and the industry to transition smoothly to the new arrangements. More information about the decision in full can be found on [our website](#). This event does not have an impact on these financial statements.

B) Notice for formal dissolution for Poolserco and Poolit Ltd was accepted by Companies House on 4 March 2023 and notice of voluntary strike off was published in the Gazette on 14 March 2023. Both companies were dissolved via voluntary strike-off on 30 May 2023. The reason for dissolution was to consolidate the Group's corporate structure by dissolving dormant subsidiaries that no longer serve any purpose.

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

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

E L E X O N