Mark Bygraves
Chief Executive
ELEXON Ltd
350 Euston Road
London NW1 3AW

14th January 2021

Dear Mark,

I write to you on behalf of the BSC Panel to express its collective views on the draft BSCCo Business Plan 2021-22. Overall, the Panel is supportive of the business plan, noting that Elexon has provided stronger rationale for increasing the budget significantly following the Panel's robust challenges.

Elexon Kinnect is a major feature of the 2021-22 business plan, and the Panel is fully supportive of the proposed investment and continued development of a new, digital platform for the BSC. The Panel recognises that spending on central IT systems has been kept relatively low since the early years of NETA. However, time and technology have moved on, and the view of the Panel (echoing some Parties' concerns over system performance in Elexon's latest annual customer survey) is that the systems pose too high a risk to settlement. The Panel supports Elexon's view that these future central systems are built to cater for increasing numbers and types of new market entrants; and that the programme allows for future proofing.

While the Panel understands the rationale for giving priority to TERRE and COVID-19 during 2020, it acknowledges that during this time the systems have largely performed acceptably. However, the Panel believes that putting off investment any further – to the point that systems become too 'stretched' represents false economy. If Kinnect is not delivered then it is likely to put at significant risk functional delivery of MHHS as well as compliance with many operational KPIs. Many Parties are currently engaged in substantial cost reductions in a business environment of price caps and economic hardship; in this context, while the current environment places even more importance on prudency, the investment in Kinnect is justified at this time.

Elexon's funding model makes transparency on spend, and controls around that spend, ever-important. The Panel believes Elexon has a good history of taking its obligations and responsibilities around this very seriously and takes comfort from this. Another feature of the funding model is the BSC requirement to return any unspent funds to industry at the end of each year: this should provide an additional comfort to BSC Parties that spend is prudent. However, we have some concern that returning funds in this way could lead to 'lumpy' funding requests in major investment programmes such as Kinnect. The Panel would be supportive of Elexon exploring ways which would allow Parties to smooth this out – either in their own accounting processes or in Elexon's.

Finally, my Panel colleagues have asked me to pass on their thanks and appreciation for the way in which Elexon has maintained its operations despite the impact of COVID-19. As this continues, the Panel is very supportive of the strategy to invest more in Elexon's staff. The appointment of a Chief People Officer is an excellent development, and the Panel urges Elexon to continue to invest in training and development of its staff, and to recognise the challenges many face in home-working.

The Panel is content for this response to be made publicly available.

Yours sincerely,

Phil Hare

Deputy Panel Chairman