ELEXON

BUSINESS PLAN 2023/24

CONTENTS

OVERVIEW

The energy sector has been facing its most challenging and uncertain period since the current market arrangements went live some 20 years ago. The combination of the war in Ukraine and recovery from Covid-19 has led to an unprecedented rise in wholesale prices which is profoundly impacting the cost of living, and affecting consumers, businesses and, indeed, BSC parties. In addition, fundamental reforms to the sector's market structure are likely to be introduced, adding additional pressures and uncertainty for energy market participants. Meanwhile, we as a sector continue to work to deliver our Net Zero plans

Sara Vaughan
Chair of Elexon Ltd and the BSC Panel

Considering this combination of circumstances, we have sought to keep our costs in 2023/24 as low as possible, recognising that BSC parties, our customers, are facing these challenges. In real money terms, after taking into account indexation and inflation and through efficiency savings, our current year controllable costs will have decreased by £1.0m (2.5%) against the 2022/23 budget and this, in turn, feeds into 2023/24.

However, whilst we have been able to absorb some increases, we are unable to absorb all inflationary rises given both their scale and the fact that they are outside our control. RTS Teleswitch is a good example of this and we explain more about that below. We have also taken on new work this year including the UK government's Energy Price Guarantee (EPG) scheme, the Energy Bills Discount Scheme (EBDS, which is replacing the Energy Bill Relief Scheme), and the Nuclear Regulated Asset Base (RAB) scheme.

Our budget for 2023/24

We are proposing a budget of £107.7m for 2023/24 to deliver all Elexon activity including that for the Kinnect Programme, Helix Programme and the MHHS Programme. This is an increase of £9.5m (9.7%) against the current year's budget of £98.2m.

The key drivers for the budget increase of £9.5m in 2023/24 are:

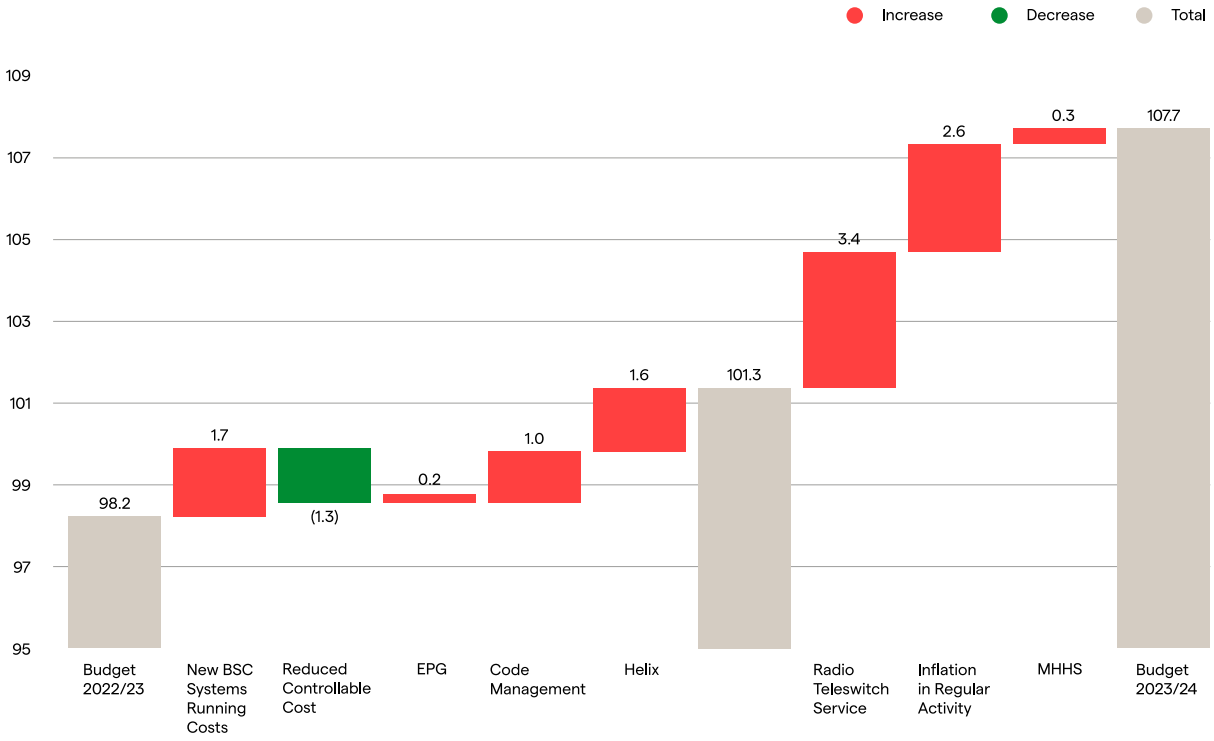
- An over 200% increase in Radio Teleswitch Service (RTS) costs (a pass-through item), of £3.4m, making the budget £4.9m
- Inflation impact of £2.6m on our regular costs
- An increase within the Helix Programme. Although we had anticipated Helix costs would reduce by 2023/24, we have had to budget for additional Helix work to deliver both a changed design and the new MHHS qualification processes for participants. This has a net impact of £1.6m compared to the current year (and £11.6m against the original forecast)
- There are also £2.7m of new costs which include a £1.0m provision for transforming BSC code management, and £1.7m of new running costs for the BSC central systems as a result of the Kinnect programme implementation
- An increase of £0.3m in the running costs of the MHHS Programme.

We have been able to absorb a proportion of the rise in costs, by making efficiency savings across the business of £1.3m to help offset some of these increases.

However, we are unable to absorb all the rises given both their scale and the fact that they are outside our control. As usual, if we find ourselves not needing the full budget, we will return unused amounts to Parties, which is our standard practice.

The waterfall diagram and budget summary on the next page explain the key budget figures, and more detailed information can be found in the financial section of the plan.

The waterfall graph below illustrates the drivers for the changes from our 2022/23 budget



The table below itemises the key aspects of our budget for 2023/24 compared with 2022/23

Item	Year to March 2022/23 Budget £m	Year to March 2022/23 Forecast £m	Year to March 2023/24 Budget £m	2023/24 Budget vs 2022/23 Budget £m	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast £m	2023/24 Budget vs 2022/23 Forecast %	Year to March 2023/24 Published Projection £m	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget £m	Year to March 2025/26 Budget £m
Elexon BAU Operational incl EMR Income	21.4	20.8	22.1	(0.7)	(3.1)	(1.3)	(5.9)	21.4	(0.6)	(3.0)	21.8	22.3
Contracted	18.9	18.8	21.2	(2.3)	(12.4)	(2.4)	(13.1)	18.8	(2.5)	(13.1)	21.6	22.4
Total BSC Regular Activity	**40.3**	**39.6**	**43.3**	**(3.0)**	**(7.5)**	**(3.7)**	**(9.3)**	**40.2**	**(3.1)**	**(7.7)**	**43.4**	**44.7**
Teleswitch (pass through from DNOs)	1.5	1.2	4.9	(3.4)	(217.2)	(3.7)	(303.5)	1.5	(3.4)	(217.2)	-	-
EPG	-	0.3	0.2	(0.2)	-	0.1	45.4	-	(0.2)	-	0.2	0.1
Demand Led and Digitalisation	20.7	19.1	21.7	(1.0)	(5.1)	(2.6)	(13.8)	25.1	3.4	13.4	12.5	7.0
Total excl. MHHS & Helix	**62.5**	**60.2**	**70.1**	**(7.6)**	**(12.1)**	**(9.9)**	**(16.4)**	**68.8**	**(3.3)**	**(4.9)**	**56.1**	**51.8**
Helix	16.2	17.5	17.8	(1.6)	(9.6)	(0.3)	(1.4)	6.2	(11.6)	(184.8)	6.8	3.0
MHHS	19.5	19.5	19.8	(0.3)	(1.9)	(0.3)	(1.9)	19.9	0.1	0.2	17.4	13.4
Total Elexon	**98.2**	**97.2**	**107.7**	**(9.5)**	**(9.7)**	**(10.5)**	**(10.8)**	**92.9**	**(14.8)**	**(15.9)**	**80.3**	**68.2**

Additional roles for Elexon
During the course of 2022/2023, Elexon was chosen by BEIS to carry out important new schemes. These include supporting BEIS on the Energy Price Guarantee (EPG) and the Energy Bills Discount Scheme (EBDS), which is replacing the Energy Bill Relief Scheme. We are also delivering Settlement services to the Low Carbon Contracts Company (LCCC) on the nuclear Regulated Asset Base (RAB) scheme. From 1 September 2022, we also started delivery of the Capacity Market Advisory Group (CMAG) role, which we had budgeted for in 2022/23.

The additional costs to run most of these new services have been absorbed through efficiency gains. This is our commitment to our customers and stakeholders to deliver major programmes as efficiently as possible.

Our customers continue to be under sustained pressure from increases in wholesale prices, and the sector as a whole must continue to deliver reforms which contribute to Net Zero. We are therefore committed to delivering value for money in the coming year for all BSC Parties.

Our new strategy
We have structured our business plan around the five themes (below) of the proposed Elexon strategy for 2023 to 2025. The new strategy seeks to build on everything that Elexon does well, as an independent, reliable market expert, while giving the organisation a sharper focus on being a high performing Code Manager, through delivering value to Parties and excellent Settlement services.

01
Delivering service excellence and customer value

02
Delivering strategic programmes

03
Transforming BSC code management

04
Strengthening industry engagement and relationships

05
Developing our people

Licensed code managers
Following the publication on 14 December 2022 of its 'Energy Code Reform: Call for Input', we expect Ofgem over the next year to announce next steps on introducing a new regime to license code managers. Code managers will play a more proactive role in developing rule changes according to the strategic direction set by Ofgem, in its new capacity as the Strategic Body. We will be preparing to take on a more proactive role in code management, which we believe will include prioritising critical rule changes and delivering them more quickly.

New ownership model for Elexon
The way in which central services for the sector are delivered will also change in the coming years, once the Future System Operator (FSO) is established. This affects Elexon as we are owned by National Grid ESO (NGESO). We were happy to see widespread support among stakeholders for our view that, in light of the move to the FSO, Elexon should be owned by industry through a 'federated model'. Government and Ofgem have decided that Elexon will remain in industry ownership, with the 13 largest energy suppliers and generators (intially) being mandated to take on shares in Elexon. During the next year we expect to lead a programme of work alongside industry and Ofgem to prepare Elexon for this change.

Delivering excellent services
Elexon needs to be an organisation which delivers excellent BSC management services as part of our day job. Over the past year, we have worked with BEIS and Ofgem on their policy and regulation development and implementation. In autumn 2022 we worked with BEIS to set up the EPG and EBRS schemes in a matter of weeks. This demonstrates our ability to work at pace, when we have the freedom to quickly implement BSC rule changes.

Completing the roll out of Elexon Kinnect
Completing the roll out of our new platform, Elexon Kinnect, is high on our priorities for the coming year. Being cloud-based, Kinnect is flexible, scalable and adaptable to ensure that we can deliver BSC changes more quickly and support the innovation the sector needs to meet Net Zero. We expect to have completed the roll out of Kinnect, and switched off the ageing legacy systems that it replaces, by October 2024. The business plan sets out the milestones for this.

Supporting Market-wide Half Hourly Settlement (MHHS) implementation
We must keep up progress on implementing MHHS which is an important step towards a more flexible electricity system. The more flexibility there is within the system, the easier it will be to manage it more efficiently and to reduce our exposure to global energy price increases.

We will continue to facilitate the industry-led programme to implement MHHS, through the MHHS Programme Manager role. There were a number of challenges to mobilising the programme with participants in 2022. This was due to their readiness to accept the original implementation timelines for MHHS given market conditions. In conjunction with the Programme Sponsor (Ofgem) during the summer of 2022, we enacted a re-plan process to enable a fully industry-led go live of MHHS. This is an extensive piece of work involving all parties, and it will be concluded in Q1 2023.

Simon McCalla
Chief Executive Officer

Supporting MHHS implementation (continued)
We are working with Ofgem and Parties to ensure that there is rapid progress on implementation, which would deliver the first tranches of meters being migrated onto the new MHHS systems in spring 2025 (subject to the MHHS re-plan).

As an MHHS Programme Participant, Elexon is well into the design, build and test (DBT) phase of the Helix programme despite additional design work being needed as a result of changes to the MHHS plan. This also includes essential changes to the BSC code and systems so that Elexon can receive, process and publish an expected 90-fold increase in half hourly data, once MHHS goes live.

Ensuring the BSC remains fit for purpose for existing and new parties
Developing and implementing changes to the BSC, which can help more companies provide balancing services, continues to be one of our priorities. We will support innovators and existing companies through the BSC Sandbox service which allows them to trial new approaches without having to meet all the usual BSC rules.

Engaging with Government and Ofgem on the REMA
High wholesale energy prices have hastened the most fundamental review in decades of how the wholesale electricity market is set up. Options being considered in the Review of Electricity Market Arrangements (REMA) include whether to move to zonal or nodal locational pricing market models.

As an expert in the delivery of central services for the sector, we continue to engage with the Government and Ofgem on the options discussed under REMA. We will support the implementation of any subsequent reforms and help our customers to navigate them.

Feedback on the business plan
Our thanks go to companies that have provided feedback on the business plan. We also want to hear your views generally on how Elexon is performing as an organisation and what we can do to improve our services. We are now considering the results of our annual customer survey and we will update Parties on the findings.

Sara Vaughan
Chair of Elexon Ltd and the BSC Panel

Simon McCalla
Chief Executive Officer

THE BUSINESS PLAN

In 2023/24, we will focus on ensuring we continue to perform above expectations and deliver under the increasingly multi-dimensional industry demands. Our business plan is divided into activities under five themes corresponding with Elexon's proposed 2023 to 2025 strategy.

01
Delivering service excellence and customer value

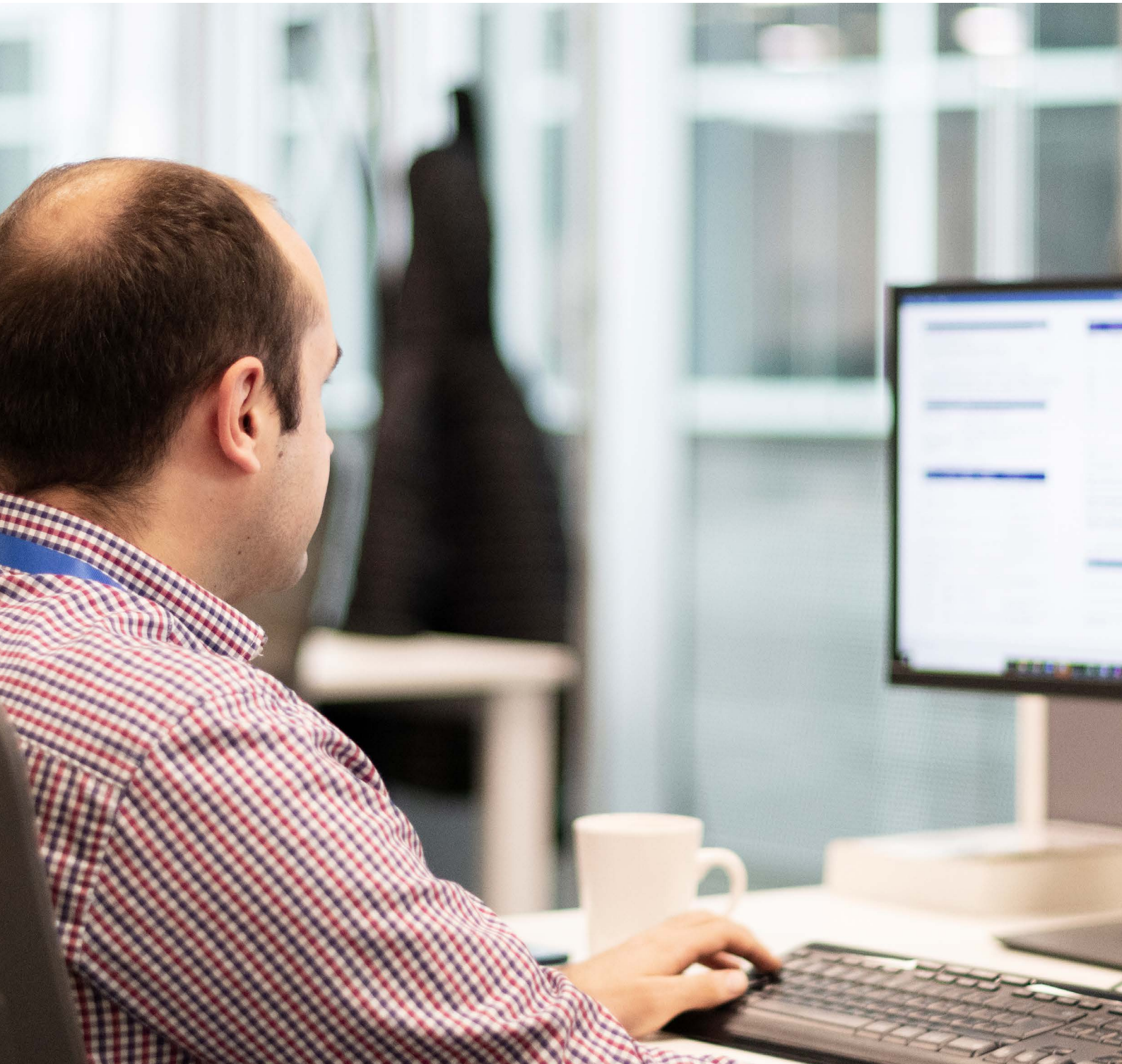
02
Delivering strategic programmes

03
Transforming BSC code management

04
Strengthening industry engagement and relationships

05
Developing our people

01
Delivering service excellence and customer value



We will continue to evolve our end-to-end service delivery model in order to process changes to our systems and services in a more agile way, in line with changing industry requirements.

During 2023/2024, we will continue to apply more flexible and responsive ways of delivering projects, utilising industry best practices and modern delivery methodologies and approaches.

We will be specifically focussing on four work areas of service delivery in 2023/2024:

- Participant Management
- Rules Management
- Managing requests for open data
- Managing new services which have been developed to support the Government and Ofgem (e.g. EPG, EBRS).

Participant Management

Our Participant Management service is focussed on:

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

During 2023/24 our priority work areas include

- Decommissioning the legacy Central Registration Agent (CRA) function by the end of Q4 23/24, as the CRA will be delivered by the Elexon Kinnect Customer Solution. The CRA registers, validates and maintains a record of metering systems in GB which is required for Central Volume Allocation (CVA) Settlement. Delivering the CRA through Kinnect will allow our customers to have more visibility of their data. They can also self-manage their data more quickly and effectively

- Supporting Elexon's Assurance team, and the Helix Programme team, in the significant work on qualification and re-qualification processes for MHHS participation, while still maintaining the existing processes for any new entrants into the market.

Our BSC Rules Management team:

- Provides expert advice and support to BSC Parties wanting to develop proposals to modify the BSC and its subsidiary documents
- Manages the implementation of those changes and the maintenance of BSC documentation.

Rules Management

Modifications and changes to support MHHS

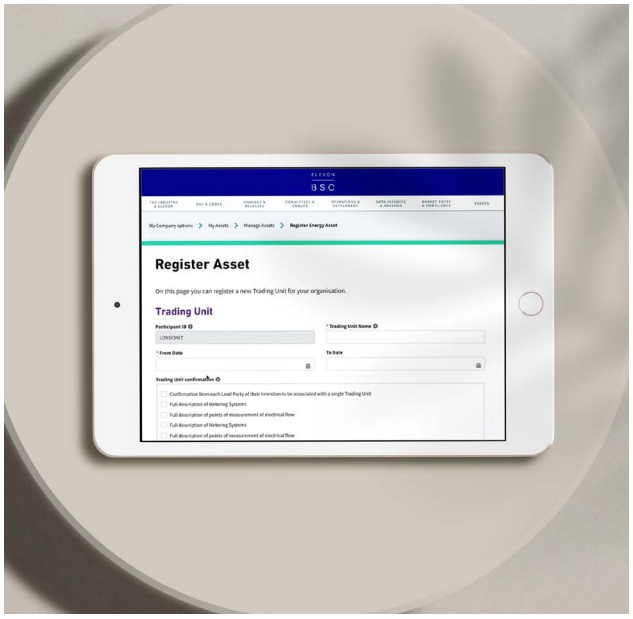
We will continue to prioritise work on BSC changes that support a smooth transition to MHHS. They include:

- P434 'Mandate to Half Hourly Settle the Non-Half Hourly Unmetered Supplies Metering Systems' which was implemented on 14 December 2022, requiring all non-Half Hourly Unmetered Metering Systems to settle half hourly in advance of the MHHS migration, along with a mandatory data cleanse activity

- P432 'Half Hourly Settlement for Current Transformer (CT) Advanced Metering Systems', which will require all CT Advanced Meters to settle HH in advance of the MHHS migration

- CP 1558 'New Registration data items and processes to support the MHHS transition', which will introduce new data items and supporting BSC processes into existing Supplier Meter Registration Service systems.

P432 is with Ofgem for a decision. CP1558 (which has already been approved) will be implemented in June 2023.



Case study

How the BSC provided quick support for security of supply

To help the energy sector manage challenging market conditions resulting from the war in Ukraine, we worked closely with industry and Ofgem to implement P447 'Avoiding impact of Winter Contingency actions on cash-out prices' and P448 'Mitigating Gas Supply Emergency Risks', in October and December 2022 respectively.

During 2023/2024 we will remain ready to support the industry in case any other rule changes are needed to manage developing challenges.

Rules Management

(Continued)

Other Modifications supporting Net Zero
During the past few years, we have made changes to the BSC to help independent aggregators (Virtual Lead Parties, or VLPs) compete in providing balancing services.

16 VLPs are active in the market and they play an important role in co-ordinating offers by consumers (including shops and businesses) to provide demand-side response at a wholesale level. Consumers do this either by increasing, or reducing their electricity usage in response to market signals, known as demand-side response (DSR). VLPs offer these services to NGESO to assist in balancing the system.

It is expected that the role that DSR plays in system balancing will increase in the coming years, as more of our power comes from renewables, and will be enabled by new technology and reforms such as MHHS. Increasing the role of DSR helps development of a smarter, more flexible system, with less investment needed in fossil-fuelled power stations. In turn this helps progress to Net Zero.

During 2023/24, we will work to further develop two changes which are in the assessment phase:

- P415 Facilitating access to wholesale markets for flexibility dispatched by VLPs
- P444 'Compensation for Suppliers and VLPs for VLP actions in the Balancing Mechanism'.

These two changes would open up more opportunities for VLPs to provide balancing services, and make sure there is a level playing field for all participants in the BM. We are progressing these changes in tandem. We aim to publish consultations on the proposals in early 2023, and if they are approved by Ofgem we plan to implement them in late 2024.

If P415/P444 are approved, they would be delivered using the Kinnect Customer Solution, which is a one-stop service allowing BSC Parties to self-manage their accounts and portfolios of assets under the BSC.

Rules Management

(Continued)

The amount of credit that companies have been required to provide over the past year has increased in line with increasing indebtedness from higher system prices. We recognise that the requirement to post large amounts of credit can be a challenge to Parties so, in addition to having already taken steps to develop a more dynamic adjustment of the Credit Assessment Price through the Credit Committee, we have also raised a BSC Issues group to improve BSC credit processes.

Managing requests for open data

We support access to open and granular data on the wholesale market as it is essential for progress to Net Zero. From June 2021, all data held by Elexon has been 'presumed open', unless the BSC Panel decides otherwise.

Since then, we have published Settlement data in response to 10 individual requests from BSC Parties and other interested organisations. We will continue to provide a service to consult with the industry before the data sets are openly published. Open access to our data can help companies and innovators develop new products and services that support the continued evolution of the energy markets.

We support sector-wide open data initiatives such as Icebreaker One's Open Energy programme and we have provided 10 data sets from the Kinnect Insights Solution to Icebreaker One's open energy platform. During 2023/24 we will support Ofgem's new data and digitalisation industry-wide initiative. This will be a further opportunity to contribute to the industry-wide efforts to democratise energy data and allow access to it. This is important for supporting innovators and start-ups looking to develop new product and service propositions.

Credit Cover for the BSC

Parties need to lodge credit cover to trade in the electricity market under the BSC rules. Credit cover is collateral lodged by Parties to cover payments required to settle imbalances. It acts as a security deposit which reduces the risk that other Parties face, if a company cannot pay its imbalance charges.

The Credit Committee is responsible for all BSC matters relating to the Credit Assessment Price (CAP). The CAP is a parameter used to convert actual energy indebtedness and the credit cover lodged by a BSC Party into an equivalent megawatt hour (MWh) amount.

Since November 2021 a new, quicker process has been operated by the Credit Committee allowing it to adjust the CAP with two weeks' notice, and in a more dynamic way, by taking account of a wider range of analysis including electricity forward price assessments. This has allowed for quicker adjustment of the CAP in response to market volatility.

At the Credit Committee's request, Elexon is reviewing the credit cover arrangements with industry, through Issue Group 106, launched in January 2023. This responds to concerns that credit cover is insufficient to protect the market from Supplier failure while at the same time ensuring that the credit arrangements are not a disproportionately onerous burden on market participants. The Workgroup may make recommendations to alter the arrangements depending on the discussions.

Managing new services

We have expanded our service provision to support Ofgem, and delivery of Government policy. Elexon was chosen by Government to support BEIS on the delivery of the EPG and EBDS, as explained in the Overview to the business plan. We have also expanded our service provision to support the Capacity Market rule change process and the Government's Regulated Asset Base (RAB) approach to financing new nuclear plant.

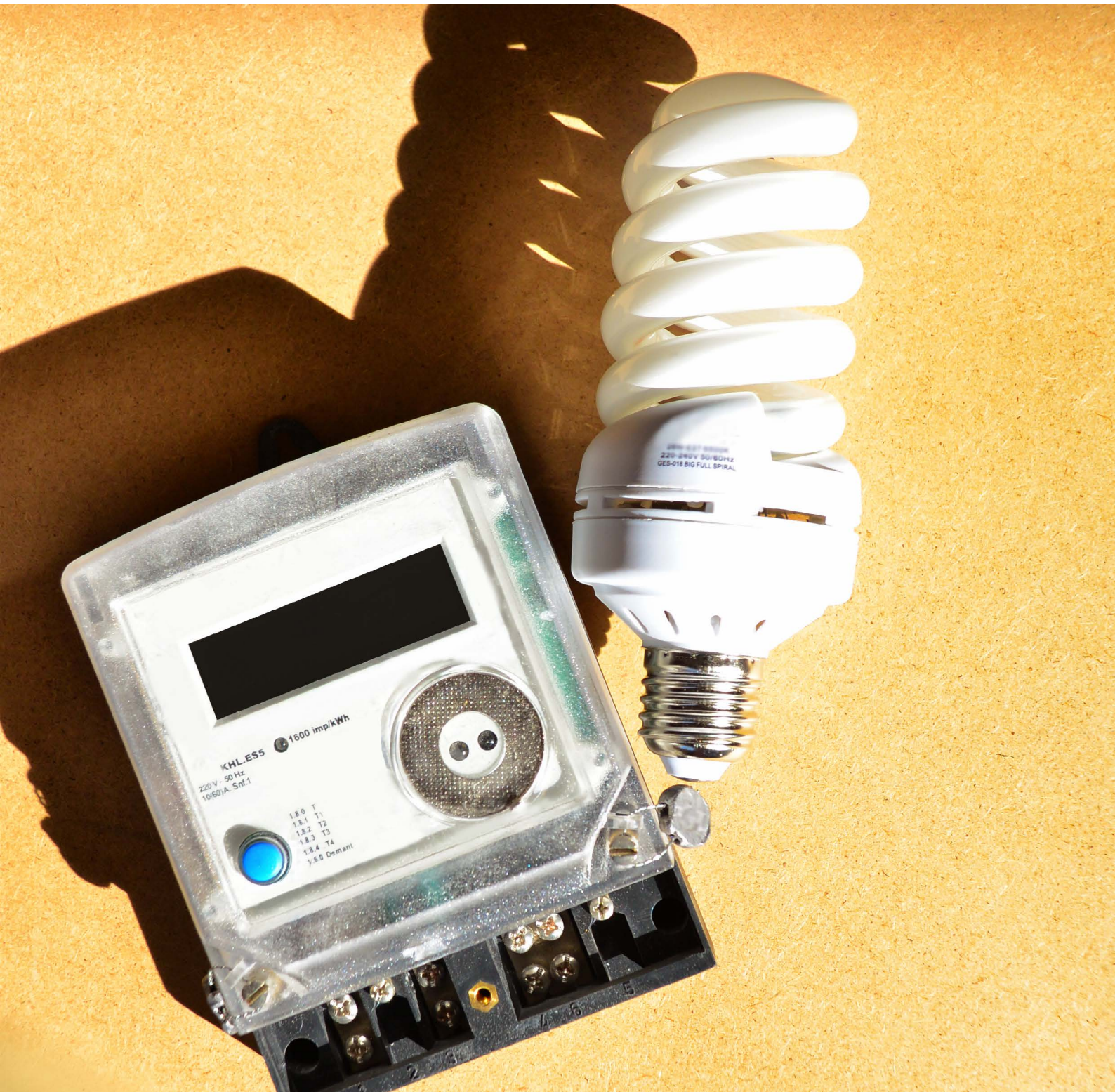
Similar to other functions that we carry out for the industry, our focus is on the streamlining of processes and operations and overall efficiency in developing and delivering these services.

CMAG secretariat
Ofgem appointed Elexon as the Capacity Market Advisory Group (CMAG) secretariat in May 2022. This relieves Ofgem from managing the increasingly complex Capacity Market (CM) rule change process, while giving Elexon and industry experts the opportunity to offer expertise to this process. We have based the design of the CMAG secretariat on best practices from the BSC. We will apply any new best practices and more efficient ways of working that we devise for the BSC processes to the CMAG processes, thus bringing additional benefits to market participants.

RAB approach to financing new nuclear plant
Elexon's subsidiary EMR Settlement Ltd (EMRS) is the Settlement Services Provider to the LCCC and the Electricity Settlements Company (ESC). The LCCC was designated as the revenue collection counterparty for the Regulated Asset Base approach to financing new nuclear plant, set out in June 2022. Similar to its settlement service provider functions on the CM and Contracts for Difference (CfD) schemes, the EMRS team will deliver collection and settlement services on the nuclear RAB scheme to LCCC/ESC.

P435 'Enabling EMRS to undertake preparatory work for potential future settlement services to LCCC' was implemented in April 2022, extending Elexon's vires so that EMRS can carry out preparatory work for supporting the nuclear RAB approach. An additional Modification will need to be approved in 2023/2024 so that EMRS can move to an operational state to support nuclear RAB collections.

02
Delivering strategic programmes



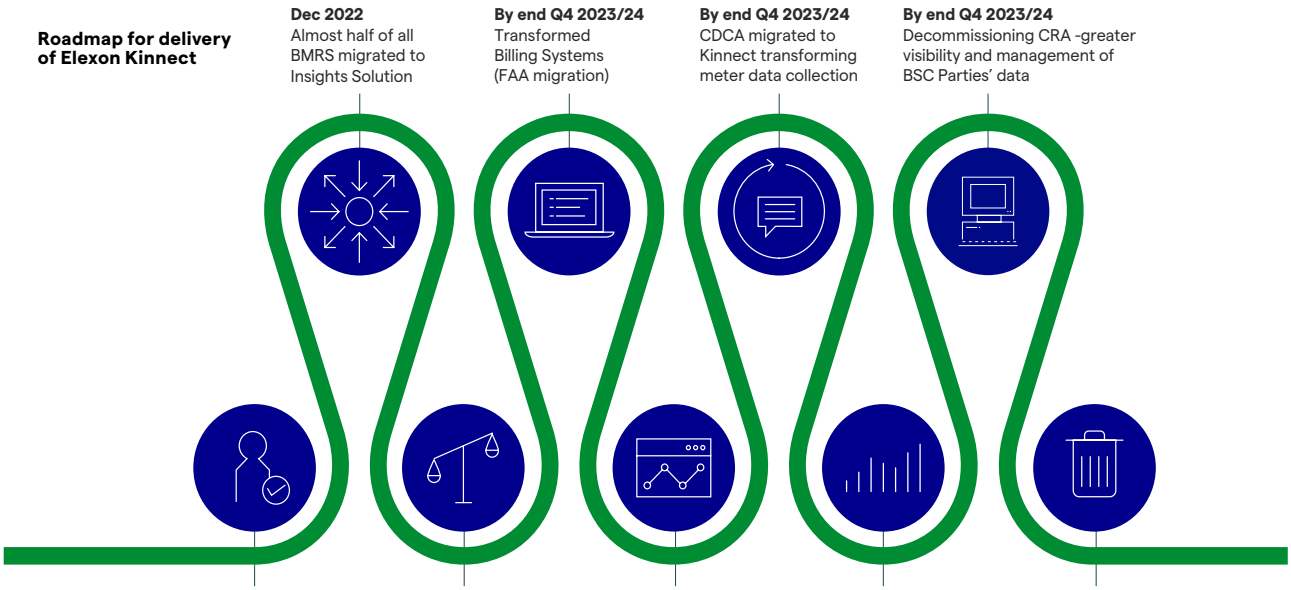
Completing the roll out of Elexon Kinnect

Elexon Kinnect is our cloud platform, which is flexible and scalable so that it can support the changing needs of our customers, and replace the ageing systems that are increasingly unsuitable. By October 2024 we will have completed the roll-out of Kinnect and decommissioned our legacy datacentre infrastructure. Independent assurance for the Kinnect and Helix Programmes is provided by the Transformation Committee (a sub-committee of the Elexon Board), which has support from independent assurance consultants, Credera.

The key steps for this will be:

- Cut-over to the Settlement Administration Agent (SAA) as the system of record in May 2023. This is a critical step as the SAA performs the daily Settlement Runs. We anticipated completing this in autumn 2022, however migrating large volumes of data and ensuring that this remained in alignment with the current system of record through multiple Settlement reconciliations, has proved challenging. Operating the SAA on Kinnect will not only improve the performance, scalability and reliability of the Settlement service, it will also allow us to implement changes to the SAA more quickly than before. We can reduce implementation times for major BSC system changes, including Modifications that support greater flexibility for the electricity system.
- Replacing the Funds Administration Agent (FAA) with a new version on Kinnect by the end of Q4 2023/24. The FAA transfers Trading Charges to and from BSC Parties and manages the BSC Credit Cover arrangements. Creating a new FAA service on Kinnect will modernise the BSC banking and payments processes and will be less resource-intensive, saving time, cutting down on manual processes and improving controls
- Moving the Energy Contract Volume Aggregation Agent (ECVAA) and Central Data Collection Agent (CDCA) to the Kinnect cloud by the end of Q4 2023/24. The ECVAA receives details of trades between Parties and validates the data for Settlement. It also performs a credit check for each party immediately after 'gate closure'. The CDCA collects and validates all data from meters that are part of the Central Volume Allocation. Moving ECVAA and CDCA to the Kinnect cloud will allow us to fully decommission the existing data centre, reducing costs to serve.

Roadmap for delivery of Elexon Kinnect

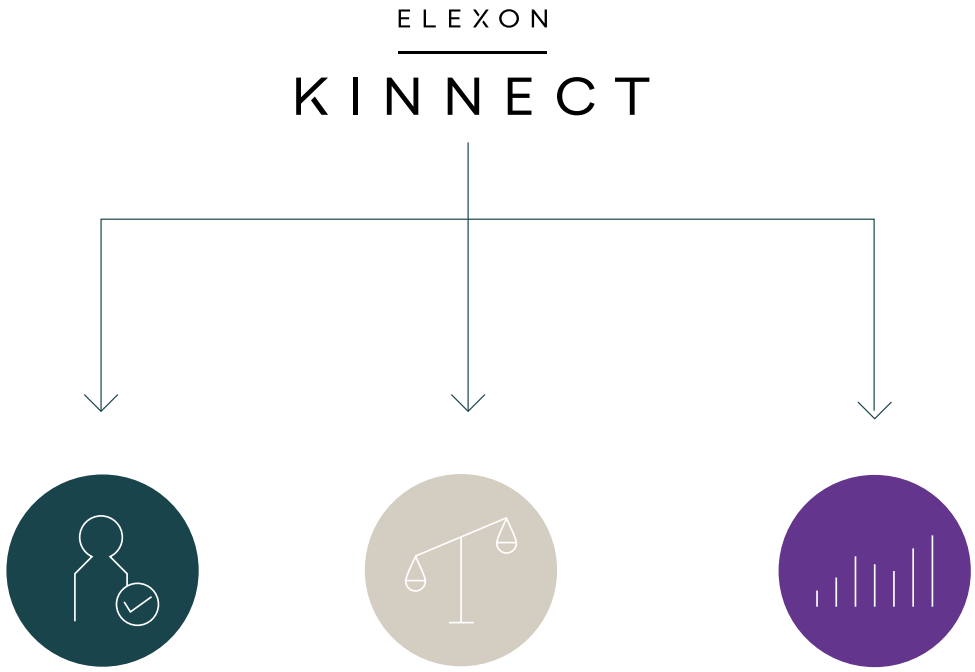


Completing the roll out of Elexon Kinnect

(Continued)

- Completing the migration of all remaining data flows from the Balancing Mechanism Reporting Service (BMRS) to the Insights Solution. The Insights Solution is our wholesale market data platform which provides a more visual, granular and customisable data service.

Around half of all of the BMRS data flows have already been migrated to the Insights Solution and the new Insights Real-time Information Service (IRIS) service allows for alternatives to the expensive TIBCO service (which involves subscribers paying for a high-grade communications link). We aim to have migrated all remaining data by the end of 2023 and will decommission BMRS thereafter in 2024.



CUSTOMER SOLUTION

Simpler and quicker online process for entering the market replacing manual form filling

Processes that used to take days now take minutes

Companies active in the market can manage their Settlement account far more easily online, including registering assets, or registering for new roles

Improvements in data quality relating to assets and Parties' standing data

New functionality added to the Customer Solution simplifies delivery of BSC Modifications and other changes

SETTLEMENT SOLUTION

Cloud-based technology allows for rapid expansion of our services when needed

By using modular technology we can respond more quickly to deliver BSC change, regulatory change and the services our customers want

Scalable Settlement calculation systems will future proof the arrangements and help us support our customers to meet Net Zero

Scalability and adaptability of Kinnect technology allows us to build Helix solutions on the new platform

Quicker and better support for innovators, as Kinnect allows for multiple, concurrent 'Sandbox' trials

INSIGHTS SOLUTION

Using cloud-based technology to develop a more comprehensive and customisable data service to replace the BMRS

Based on open-data principles and accessible to everyone

Using' best-in-class' APIs to seamlessly integrate Elexon data into users' workflows

Allows us to respond more quickly to customers' data needs and gives them options to 'self-serve' data requests

Will make half-hourly consumption data available to all Parties and stakeholders. This will underpin the benefits of Market Wide Half Hourly Settlement

The Helix Programme

Once MHHS is implemented, Elexon's systems will need to process a 90-fold increase in data from half hourly meters and will require redevelopment of the legacy Supplier Volume Allocation Agent on Kinnect.

As discussed in last year's business plan, we are developing four new services as part of the MHHS Programme. For the purposes of the business plan, we refer to them as the Helix services. These services will ensure that we can receive, process and publish half hourly data at the scale required. More information about the Helix Programme is also on our webpage.

The Helix services need to share and receive data from the Data Integration Platform (DIP) which provides the infrastructure that Suppliers will use for submitting half hourly data to Elexon for Settlement. We explain more about the DIP in the MHHS Programme section of the plan.

Through the Helix Programme we are now well into advanced design on the DBT phase of the services and we are delivering in line with the original baseline plan. However, the MHHS Programme approach has been to incrementally release design requirements throughout 2022 and, in addition, the MHHS Programme is also in the process of re-baselining the MHHS implementation plan to align with industry's ability to deliver. As a result, the Helix team have had (and will continue to have) to re-work certain elements of the new services in response to evolving MHHS solution designs.

Examples of this are that the interface specification for the DIP has been changed and additional data fields are now required, which impacts on the design of the Helix services. A new requirement for the MDS to publish annual consumption values for every meter in GB was also introduced by the updated MHHS design. This has had to be accommodated by the Helix Programme.

The combination of the new and revised requirements will mean that the Helix Programme will take longer to complete than originally estimated, because of the additional work. We have included funding for additional work on Helix in 2023/24 should it be required, given the risk of further design and MHHS plan changes, ahead of industry testing for MHHS. This funding is set out in the budget tables in the finance section of the plan.

As well as completing the DBT phase for the Helix solutions, the priorities for the Helix Programme in 23/24 include:

- Supporting Elexon's Assurance team to re-write the existing Performance Assurance Framework so that it is in line with MHHS, and the changes to Elexon's processes brought about by the Helix solutions
- Supporting the Rules Management team with the changes to BSC documentation that are needed to account for the MHHS solutions. 19 BSC Sections and 39 existing Code Subsidiary Documents will be impacted by Helix, and four new Balancing and Settlement Code Procedures (BSCPs) will also need to be agreed.

The four new Helix services

The Load Shaping Service (LSS)
The LSS will calculate energy consumption and load shapes using validated actual Settlement Period level data. These robust consumption profiles will improve the information we provide Suppliers by enabling them to better predict their customers' usage, and perform their associated balancing activities

Market-wide Data Service (MDS)
The MDS will aggregate data for smart, non-smart, advanced and unmetered supplies for Imbalance Settlement and other purposes such as network charges and flexibility offerings. It will also calculate and apply Distribution Line Loss values to the data, enabling it to provide data for BSC Assurance purposes

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

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

The MHHS Programme

MHHS will contribute to a more cost-effective electricity system, encouraging more flexible use of energy and helping consumers lower their bills. It is also an enabler for Net Zero, by supporting greater availability and use of DSR, electricity vehicle to grid charging, peer to peer trading and other new approaches. BSC Parties will benefit from MHHS through more accurate, efficient and faster electricity Settlement, reducing Settlement timescales from 14 months to four months, thereby reducing cash flow and bad debt risk.

Programme Governance
Ofgem, as Programme Sponsor, appointed Elexon as the Senior Responsible Owner (SRO) and MHHS Implementation Manager (IM) making Elexon accountable for the delivery of the Programme. The Programme is supported by an industry-selected Programme Steering Group (PSG) chaired by the SRO. Ofgem has appointed PwC as the Independent Performance Assurance provider.

The Elexon Board approved a business separation solution to clearly distinguish the role of Elexon as a participant, from its programme management role. The separation solution mitigates any potential conflict of interest and risk, and supports the required physical, organisational and cultural Programme separation.

Expleo Technology UK Limited (with its subsidiary company, Moorhouse Consulting Limited) is the Lead Delivery Partner (LDP) for the Programme. As LDP, Expleo provides a central programme team, programme management office, programme party coordinator and system integrator functions. The partnership between Expleo and the MHHS Programme is a key partnership for the successful delivery of MHHS.

Costs for the MHHS Programme
Unlike general BSC costs, it was determined by Ofgem that the MHHS Programme would be funded solely by Suppliers. The Programme costs for 2023/24 are set out in the finance tables in the budget section of this business plan. The MHHS Programme has a requirement to be cost effective. Heading into the second year (2023/24), spend is within the overall five-year budget (£90m). The total cost of £19.8m for the programme in 2023/24 is based on financial forecasting carried out by Elexon's finance team, working in conjunction with the Programme.

The Programme budget is reviewed on a monthly basis by the MHHS Committee of the Elexon Board. The Programme is confident that overall costs will remain within the five-year budget.

Priorities for 2023/24 include

01
Managing participants through the DBT and test execution phases in alignment with the MHHS Programme plan

02
Ensuring that Programme participants design and build their own internal systems and processes ready for systems integration testing which starts in Q3/Q4 2023

03
Working with participants on migration planning and business readiness activities. We are adopting a phased migration approach so devising criteria for different tranches is fundamental for executing to timescales. Business readiness activities will ensure that MHHS will be ready to go live across industry

04
Delivering the DIP to support the significant increase in data processing required once MHHS is implemented

05
Development and delivery of code drafting changes required as a result of changes driven by the finalised MHHS design. The code drafting approach has been agreed by the Cross Code Advisory Group

06
Working with and supporting Programme participants via bi-lateral meetings, industry sessions, webinars and governance meetings to ensure effective delivery of the programme

The MHHS Programme

(Continued)

MHHS Programme status

There were a number of challenges to mobilising the programme with participants in 2022. This was due to their readiness to accept the original implementation timelines for MHHS given market conditions. In conjunction with Ofgem, during the summer of 2022 we enacted a re-plan process to enable a fully industry-led go live of MHHS. This is an extensive piece of work involving all parties, and it will be concluded in Q1 2023.

Round 3 of consulting on the re-plan has been running from mid-December 2022. This timing enables participants to engage in the core MHHS design and will ensure that the plan has industry support.

The re-plan will consider when participants expect to complete their DBT, and to be ready for potential participation in systems integration testing. The re-plan outcome will put the programme on a secure and industry-supported footing. It will ensure there is high confidence in delivery amongst our stakeholder community and that undue risk is removed from the plan to safeguard its success.

- **Design** – The MHHS Programme is a design-led programme, which is an industry-first, and forms a blueprint for future design work in the industry. The MHHS Design sets out how Half-Hourly Settlement will operate across the market, detailing the impacted market segments, systems, and processes. In October 2022, the Design Advisory Group approved the significant milestone of 'Physical Design Baseline' subject to delivery of the 'Design Work-Off Plan' (DWOP). The design baseline includes all the technical specifications needed for MHHS. The DWOP contains minor outstanding items that needed to be resolved after the physical design baseline was completed.

"The Data Integration Platform (DIP) is a middleware service that will deliver next-generation event messaging architecture."

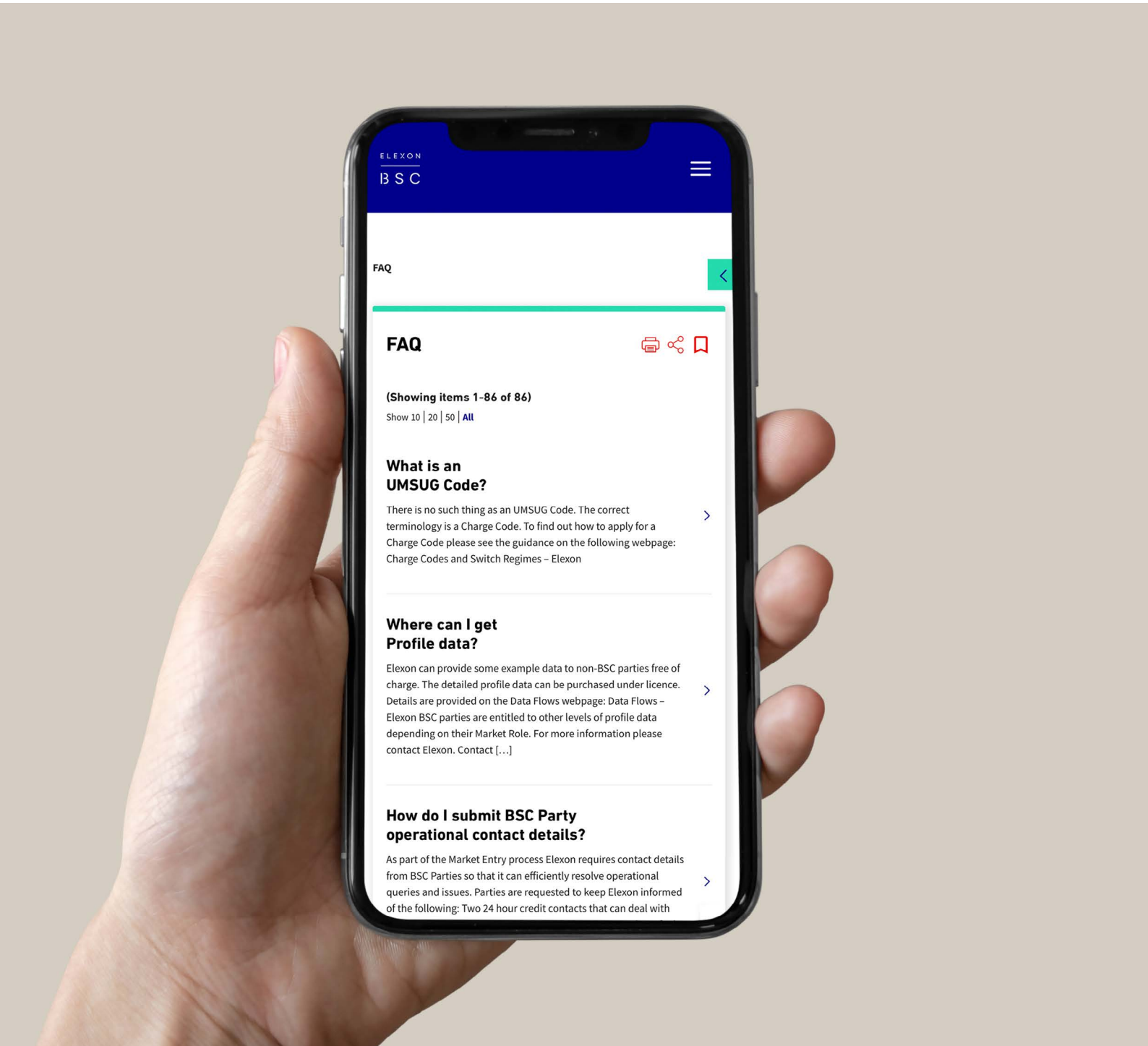
- **Testing** – The testing workstream has developed the testing and integration strategy and the test data strategy. The testing approach and plans will be shared with participants to help inform round 3 of the re-plan. One of the sub-testing workstreams is testing an early version of the DIP Simulator, with Elexon's Helix programme which is involved in the pilot.

The DIP

Elexon, in the role of MHHS IM, has an obligation to develop the systems and processes that will be necessary to implement the DIP. The DIP is a middleware service that will deliver next-generation event messaging architecture, taking significant traffic from the existing Data Transfer Service/ Data Transfer Network (DTS/DTN) onto a new cloud service.

In accordance with the business separation solution, the MHHS Programme led the DIP procurement in 2022/2023. The MHHS Programme has been working with Elexon, as Elexon will initially be the enduring service operator of the DIP once it is built, migrated and live.

03
Transforming BSC code management



The next few years could see major changes to how central services for the energy sector are delivered. It is likely that the new licensing arrangements for code managers will require all appointed bodies to be more proactive in managing the energy codes and leading development and implementation of rule changes.

New ways of working with the industry to develop these changes will also need to be quickly established, given that it is intended that the proposed new arrangements will no longer include the traditional role for code panels. Fundamental reforms may also result from the REMA, and all code managers will need to work with Government and Ofgem to deliver them, and help the industry navigate these changes.

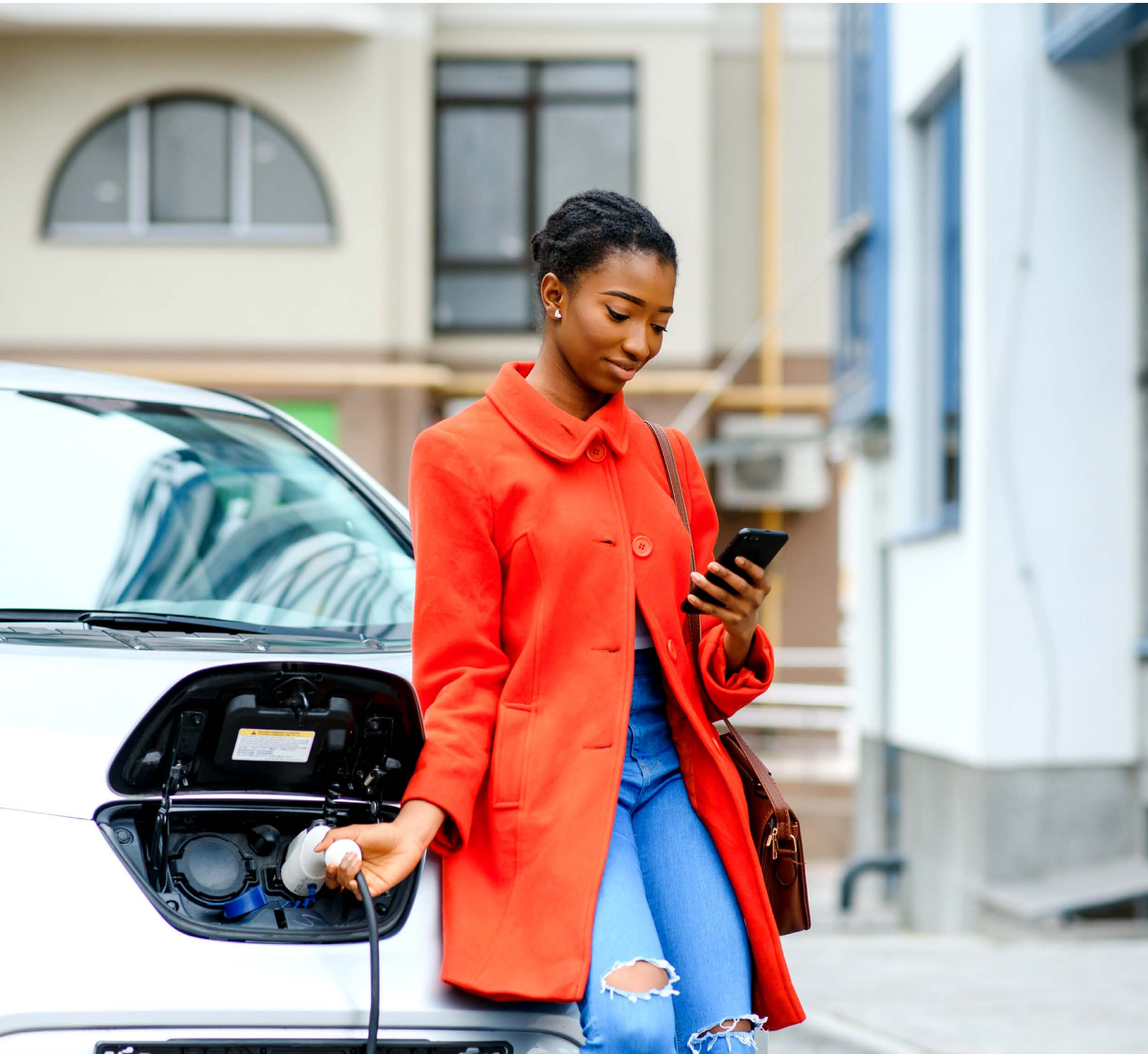
Alongside these changes, we recognise the need to evolve and innovate around how we manage the BSC.

We acknowledge the desire for urgent reform of the market and the increasing need for speed around progress towards Net Zero.

It is with this in mind that we will launch a series of initiatives in 2023/2024 to look at ways to streamline and enhance the way we work together with industry and Ofgem to progress code changes, creating opportunities for efficiency of process, greater understanding of impacts and the ability for Parties to jointly and individually innovate to offer new solutions into the market.

BSC Parties bring deep and valuable knowledge and expertise in industry arrangements. As Elexon is likely to be one of the important convening parties within the industry, we wish to bring this expertise together with other new and innovative thinkers to try to solve some of the industry's toughest challenges. We would like to use our position to bring people together to contribute to new ways of working focused around reinforcing the BSC's position as one of the leading central energy codes.

04
Strengthening industry engagement and relationships



Having close ties with all BSC Parties and our wider stakeholder community is very important to us. Our central place in the industry helps us to understand the challenges the industry faces and our role in helping to serve this community.

Our aim will be to continue to engage closely with all Parties on our potential change of ownership and we will work with BEIS, Ofgem and NGESO on the transition to new arrangements. We will align our internal ownership change programme with that of NGESO and BEIS to ensure that, whatever transition route is chosen, it will happen seamlessly and in sync with other Parties.

We will engage closely on the REMA, Code Reform and Net Zero initiatives to ensure that we can play our part in working with the rest of the industry to develop these important reforms. We also believe that our Settlement skills and expertise can assist with other areas of the electricity industry, just as they did with the EPG and EBRS. This could include supporting local balancing markets and the emerging Distribution System Operator role. We will also work with BEIS and Ofgem on the outcomes of the REMA market design to support any changes to the future UK electricity market.

Finally, we look to returning to being a place where the energy industry can gather and meet in person. We want our London offices to be a hub for the industry, enabling the renewal of existing relationships and the development of new relationships with both current and future energy leaders.

05
Developing our people

We recognise the importance of our people both as they deliver our day to day activities and as they support the many stakeholders and Parties that rely on their advice, knowledge and expertise when they interact with Elexon.

We are proud to have a wealth of industry expertise within our teams. We will continue to support and develop both the individuals and the teams that work with the industry as it transitions to Net Zero. There will be a need to bring new expertise into our teams to reflect the challenges ahead as well.

We have had an established People Strategy for three years, which has evolved dynamically over time, and our continuing plan is to make Elexon an aspirational place to work, in roles at the heart of the industry. We will refocus on attraction, retention and motivation of our colleagues so that we can continue to deliver our high standards of customer service, and the work set out in this (and subsequent) business plans.

We recognise that we will have to compete to attract and retain talented people. By the end of 2023 we will have benchmarked and re-launched our employee value proposition (EVP) to ensure that it continues to be competitive on overall benefits. Our People Strategy which is focused on delivering our corporate strategy, has evolved through the strategy design process and has therefore has received external scrutiny.

We manage our human resource costs very carefully and, by making efficiency savings elsewhere in the business, we have been able to increase the scope for performance reward payments for outperforming colleagues (from 2022/23 onwards).

During 2023/24, we will build on our People Strategy to engage in a programme of activities that will help to develop our colleagues' knowledge and capabilities. This includes a leadership programme which will train and support new managers and equip existing ones to deliver higher performance.

We will look to create the industry experts of the future through training, hiring and mentorship across the business.

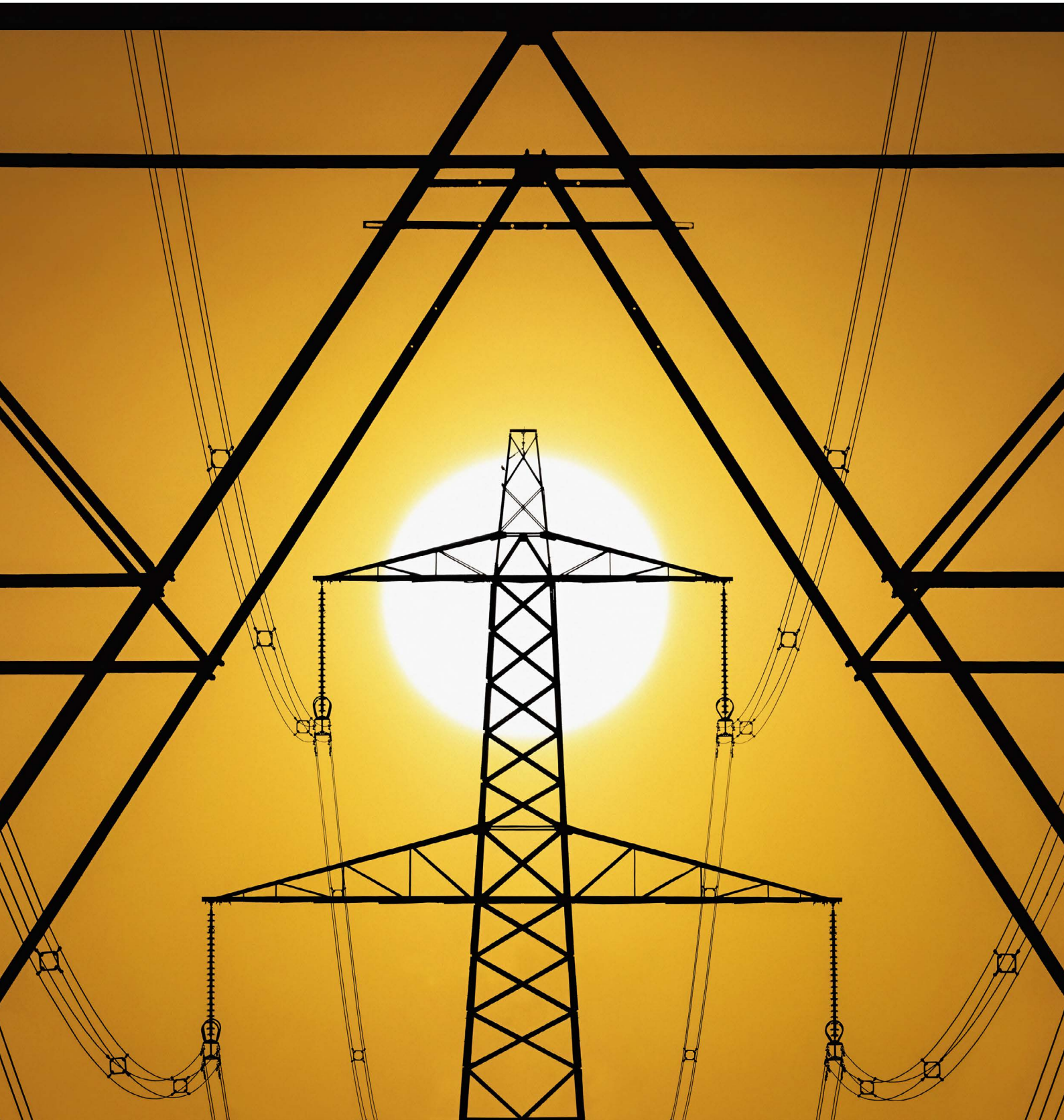
In parallel we will upgrade our processes and technology capabilities to support the sharing of knowledge, at a technical, process and customer level, to ensure that everyone in the business has access to the assembled skills, knowledge and expertise of the entire team.

In the coming years we expect to offer existing and future colleagues exciting career opportunities, for example, in technology development-related jobs where they can design and implement reforms for BSC systems.

During 2023/24 we will also be working to deliver a stronger performance culture that empowers and incentivises our people to 'think beyond' and really work at pace.

We will need this refocused culture so that we can deliver exceptional value to our customers. We recognise the changing and challenging energy landscape and we will support our customers and stakeholders by providing excellent value for money and high levels of service.

BUDGET
FOR 2023/24



Overview

This section of the business plan details the budgeted costs for 2023/24 in support of the planned deliverables, which were explained earlier.

We are proposing a budget of £107.7m for 2023/24 to deliver all Elexon activity, including that for the Kinnect Programme, Helix Programme and MHHS Programme. This is an increase of £9.5m (9.7%) against the current year's budget of £98.2m. The £107.7m reflects the cost of the resources and third party costs to carry out our work, as well as pass through costs for 2023/24.

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

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

New Business Activity:
- EPG
- EBDS
- Nuclear RAB

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

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

We know all BSC Parties face financial challenges in the current global economic crisis. With inflation rates reaching over 10% in 2022/23, this was an important factor when putting together our budget this year. Overall, we have made great efforts to keep our costs down in support of BSC Parties.

Through restructuring, tight cost controls and doing more than in previous years, we intend to reduce the cost of our regular controllable activity through efficiency improvements. In real money terms, after taking into account indexation and inflation and through efficiency savings, our current year controllable costs will have decreased by £1.0m (2.5%) against the 2022/23 budget and this, in turn, feeds into 2023/24.

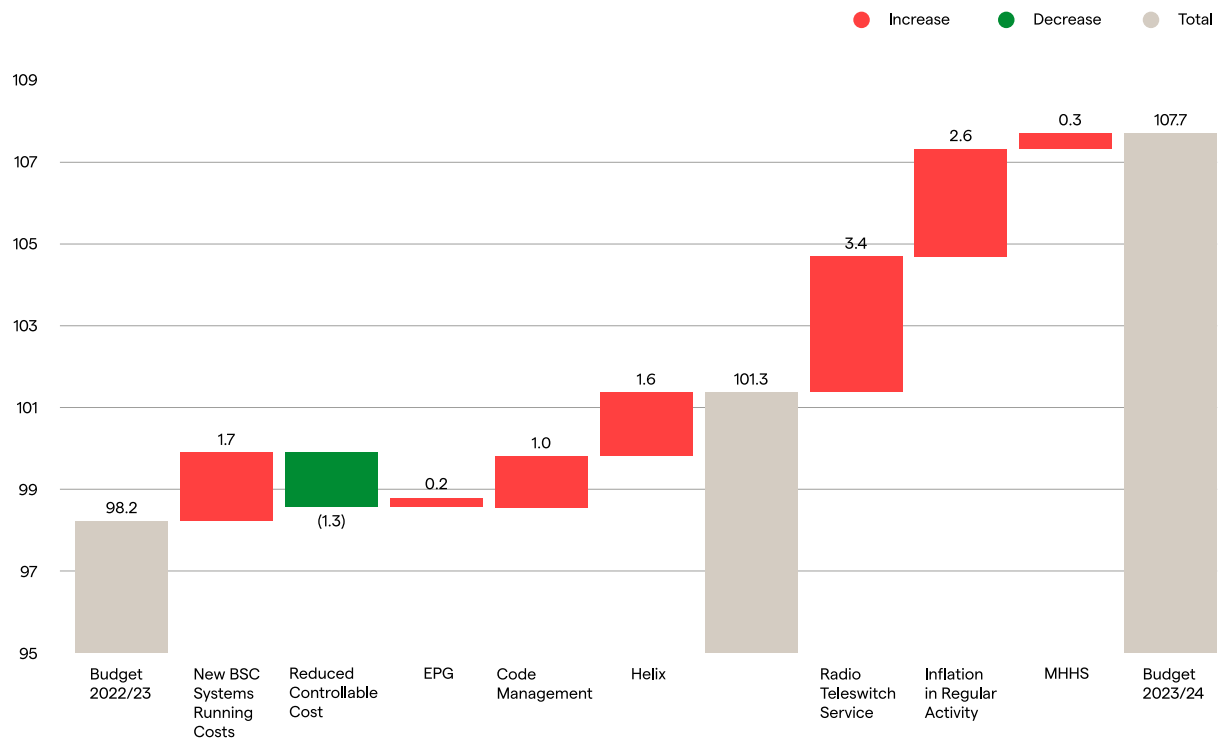
We recognise that this budget has increased compared to the 2022/23 budget. This is illustrated in the waterfall graph on the next page. The key drivers for the increase of £9.5m in 2023/24 relate to an increase of £3.4m in RTS costs, £2.6m of inflation impact in our other operational costs, increases in Helix costs (discussed in more detail below), £1.0m provision for transforming our BSC code management, and £1.7m relating to new BSC system operations. As we transition more agents and components of Kinnect into production, we will incur operating and support costs, as well as running legacy systems in parallel to the new technology platforms.

Although we had anticipated that Helix costs would reduce by 2023/24, we have had to budget for additional Helix work to deliver both a changed design and the new MHHS qualification processes for participants. This has a net impact of £1.6m compared to the current year (and £11.5m against the original forecast).

Overview

(Continued)

The waterfall graph below illustrates the drivers for the changes from our 2022/23 budget



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

In light of this financial structure, budgeting for uncertainties in advance of any new financial year with no other access to working capital, requires careful consideration. We need to address uncertainty, mindful of this constraint, while also endeavouring to set challenging financial and efficiency targets for the business, which ensure that we deliver the best possible value for money to the industry.

2023/24 will be the ninth year that Elexon, in its role as Settlement Services Provider for EMR, delivers its services via its subsidiary EMR Settlement Limited (EMRS) to Low Carbon Contracts Company Limited (LCCC) and Electricity Settlements Company Limited (ESC). All EMR related costs are fully funded by LCCC and ESC and the total costs of LCCC and ESC (which include those of EMRS) are consulted on separately by BEIS. Our work in this area enables us to offset some of our overheads which would otherwise have been borne by BSC Parties (2022/23: £0.8m) and is budgeted to be £0.8m for 2023/24.

Budget Summary

Table 1.1 below shows a budget of £107.7m budget for 2023/24 to deliver BSC activity, Kinnect, Helix and the MHHS Programme. This is an increase of £9.5m (9.7%) against the current year's budget.

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

Changes to the MHHS design have impacted on Helix costs in 2022/23, as stated earlier in the Helix section of the business plan. Our business plan includes the most up to date information on the status of the Helix Programme.

The Helix Programme for 2023/24 also includes £3.1m for delivering the qualification processes for MHHS participation through the Customer Solution in preparation for transition to MHHS as explained earlier in the plan. This is new work, which was not included in last year's published projection as both the scale and scope of this work and the associated funding arrangements were unclear. The full scope is still to be determined following clarity on timelines and requirements in April 2023.

The budget set for delivering the MHHS Implementation Manager role in 2023/24 is £19.8m.

Table 1.1 Budget Summary

Item	Year to March 2022/23 Budget £m	Year to March 2022/23 Forecast £m	Year to March 2023/24 Budget £m	2023/24 Budget vs 2022/23 Budget £m	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast £m	2023/24 Budget vs 2022/23 Forecast %	Year to March 2023/24 Published Projection £m	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget £m	Year to March 2025/26 Budget £m
Elexon BAU Operational incl EMR Income	21.4	20.8	22.1	(0.7)	(3.1)	(1.3)	(5.9)	21.4	(0.6)	(3.0)	21.8	22.3
Contracted	18.9	18.8	21.2	(2.3)	(12.4)	(2.4)	(13.1)	18.8	(2.5)	(13.1)	21.6	22.4
Total BSC Regular Activity	**40.3**	**39.6**	**43.3**	**(3.0)**	**(7.5)**	**(3.7)**	**(9.3)**	**40.2**	**(3.1)**	**(7.7)**	**43.4**	**44.7**
Teleswitch (pass through from DNOs)	1.5	1.2	4.9	(3.4)	(217.2)	(3.7)	(303.5)	1.5	(3.4)	(217.2)	-	-
EPG	-	0.3	0.2	(0.2)	-	0.1	45.4	-	(0.2)	-	0.2	0.1
Demand Led and Digitalisation	20.7	19.1	21.7	(1.0)	(5.1)	(2.6)	(13.8)	25.1	3.4	13.4	12.5	7.0
Total excl. MHHS & Helix	**62.5**	**60.2**	**70.1**	**(7.6)**	**(12.1)**	**(9.9)**	**(16.4)**	**68.8**	**(3.3)**	**(4.9)**	**56.1**	**51.8**
Helix	16.2	17.5	17.8	(1.6)	(9.6)	(0.3)	(1.4)	6.2	(11.6)	(184.8)	6.8	3.0
MHHS	19.5	19.5	19.8	(0.3)	(1.9)	(0.3)	(1.9)	19.9	0.1	0.2	17.4	13.4
Total Elexon	**98.2**	**97.2**	**107.7**	**(9.5)**	**(9.7)**	**(10.5)**	**(10.8)**	**92.9**	**(14.8)**	**(15.9)**	**80.3**	**68.2**

Our budget in more detail

The following pages describe each element of our budget in more detail.

The budget for total regular Elexon BSC activity (Table 2.1 below) shows a £3.0m increase (7.5%) against current year budget and £3.7m increase (9.3%) against forecast.

Elexon BAU Operational

The increase anticipated in the coming year compared to the forecast is mainly driven by the impact of inflation. The budget for our Operational Costs for 2023/24 is £22.1m, a £0.7m (3.1%) increase compared with the 2022/23 budget and £1.3m (5.9%) against our forecast, as shown in Table 2.1. This includes costs such as people, occupancy, staff related and administrative expenses, as well as consultancy and legal support. We have reduced our resources in all areas of our delivery by ensuring we actively make efficiency improvements to reduce the overall burden to BSC Parties. This also includes the offset generated by the contribution from EMR activities as a result of providing resources to our subsidiary EMR Settlement Ltd (EMRS) for which it fully recompenses Elexon.

Contracted

A significant proportion of our costs of delivering the BSC arrangements comes from the contracted expenditure of BSC Agents and contracted service providers for running legacy systems in parallel with costs for Kinnect, until such time as we can retire these legacy systems. This is also shown in Table 2.1 below. These are predominantly fixed costs, linked to indexation. Our sourcing strategy seeks to deliver better terms and lower costs as contracts become due for re-procurement.

Table 2.1 Budget for Total Regular BSC Activity

Item	Year to March 2022/23 Budget £m	Year to March 2022/23 Forecast £m	Year to March 2023/24 Budget £m	2023/24 Budget vs 2022/23 Budget £m	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast £m	2023/24 Budget vs 2022/23 Forecast %	Year to March 2023/24 Published Project ion £m	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget £m	Year to March 2025/26 Budget £m
Elexon BAU Operational incl EMR Income	21.4	20.8	22.1	(0.7)	(3.1)	(1.3)	(5.9)	21.4	0.6	(3.0)	21.8	22.3
Contracted	18.9	18.8	21.2	(2.3)	(12.4)	(2.4)	(13.1)	18.8	2.5	(13.2)	21.6	22.4
Total BSC Regular Activity	**40.3**	**39.6**	**43.3**	**(3.0)**	**(7.5)**	**(3.7)**	**(9.3)**	**40.2**	**3.1**	**(7.7)**	**43.4**	**44.7**

Our budget in more detail

(Continued)

People (Employee and Contractor) Costs

The 2023/24 headcount illustrated in Table 2.2 is an average for the year and does not represent the actual number of employees at a fixed point in time, but a full time equivalent of those engaged in the period, and is therefore representative of the costs.

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

We have budgeted based on known BAU headcount and salaries by function. The projected fall in the average headcount for Elexon by 2025/26 reflects the implementation timeline of our major programmes (Kinnect and the MHHS Programme). We will proactively retain resources with core knowledge and industry expertise that are essential to delivering the performance we envisage in our new strategy.

Table 2.2 Elexon Average Headcount

Item	Year to March 2022/23 Budget FTE	Year to March 2022/23 Forecast FTE	Year to March 2023/24 Budget FTE	2023/24 Budget vs 2022/23 Budget FTE	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast FTE	2023/24 Budget vs 2022/23 Forecast %	Year to March 2023/24 Published Projection FTE	2023/24 Budget vs Published Projection FTE	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget FTE	Year to March 2025/26 Budget FTE
Headcount	291.3	257.1	264.7	26.6	9.1	(7.6)	(3.0)	278.0	13.3	4.8	252.2	242.2

Teleswitch (RTS) costs

The RTS arrangement has an impact of £4.9m in the 2023/24 budget (shown in table 2.3 below). However the costs are outside of Elexon's control and will be a fully recoverable pass-through cost from the ENA.

We are informed that the increase of £3.4m (217.2%) compared to the current budget of £1.5m is due to the BBC electricity contract renegotiations.

Table 2.3 RTS costs

Item	Year to March 2022/23 Budget £m	Year to March 2022/23 Forecast £m	Year to March 2023/24 Budget £m	2023/24 Budget vs 2022/23 Budget £m	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast £m	2023/24 Budget vs 2022/23 Forecast %	Year to March 2023/24 Published Projection £m	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget £m	Year to March 2025/26 Budget £m
Teleswitch (pass through from DNOs)	1.5	1.2	4.9	(3.4)	(217.2)	(3.7)	(303.5)	1.5	(3.4)	(217.2)	-	-

Our budget in more detail

(Continued)

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

The key assumptions in our 2023/24 budget cover costs for completing the migration of SAA, the FAA, ECVAA, CDCA and all remaining data on the BMRS to the new Kinnect platform, and then switching off legacy systems by October 2024, as explained earlier in the plan. For next year we have included a budget for achieving all this of £16.6m.

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

The Demand Led budget for BSC systems releases has been set at £4.9m (a similar figure to the current level as shown below). The budgeted figures are based on known Modifications, taking into account estimates of historic change costs, as well as taking a view on new changes that may come forward during the year.

Business Development
As with previous years, this budget includes £0.2m for Business Development. This is used to horizon scan for changes in the GB energy market that may impact the BSC. This allows us to consider these in detail and look for ways to make sure that the BSC plays its part in facilitating energy market change. We also expect to use this budget to assess the impacts of code reform and the FSO on Elexon.

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

Table 2.4 Budget for Projects and Investments

Item	Year to March 2022/23 Budget £m	Year to March 2022/23 Forecast £m	Year to March 2023/24 Budget £m	2023/24 Budget vs 2022/23 Budget £m	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast £m	2023/24 Budget vs 2022/23 Forecast %	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget £m	Year to March 2025/26 Budget £m
Investment in Systems & Business Transformation	15.2	14.6	16.6	(1.4)	(9.1)	(2.0)	(13.5)	19.6	3.0	15.4	7.4	1.9
Demand Led	5.0	4.3	4.9	0.1	2.0	(0.6)	(12.9)	5.0	0.1	2.0	4.9	4.9
Business Development	0.5	0.2	0.2	0.3	47.9	0.0	(60.1)	0.5	0.3	47.9	0.2	0.2
Total Projects and Investments	**20.7**	**19.1**	**21.7**	**(1.0)**	**(5.1)**	**(2.6)**	**(13.8)**	**25.1**	**3.4**	**13.4**	**12.5**	**7.0**

Our budget in more detail

(Continued)

The Helix Programme

As explained earlier in the plan, the Helix Programme will re-engineer BSC central systems so that Elexon can support MHHS. We have included a budget of £17.8m in 2023/24 for development work and resources for the Helix services, so that they are ready to support industry testing. We have already explained the reasons for the increases in Helix costs, earlier in the business plan.

MHHS Programme

MHHS budget for 2023/24 is £19.8m in line with previous forecast, which represents an increase of £0.3m compared to the current year. The overall MHHS Programme is within the approved overall MHHS Budget.

Table 2.5 Helix and MHHS

Item	Year to March 2022/23 Budget £m	Year to March 2022/23 Forecast £m	Year to March 2023/24 Budget £m	2023/24 Budget vs 2022/23 Budget £m	2023/24 Budget vs 2022/23 Budget %	2023/24 Budget vs 2022/23 Forecast £m	2023/24 Budget vs 2022/23 Forecast %	Year to March 2023/24 Published Projection £m	2023/24 Budget vs Published Projection £m	2023/24 Budget vs Published Projection %	Year to March 2024/25 Budget £m	Year to March 2025/26 Budget £m
Helix	16.2	17.5	17.8	(1.6)	(0.6)	(0.3)	(1.4)	6.2	(11.6)	(184.8)	6.8	3.0
MHHS	19.5	19.5	19.8	(0.3)	(1.9)	(0.3)	(1.9)	19.9	0.1	0.2	17.4	13.4

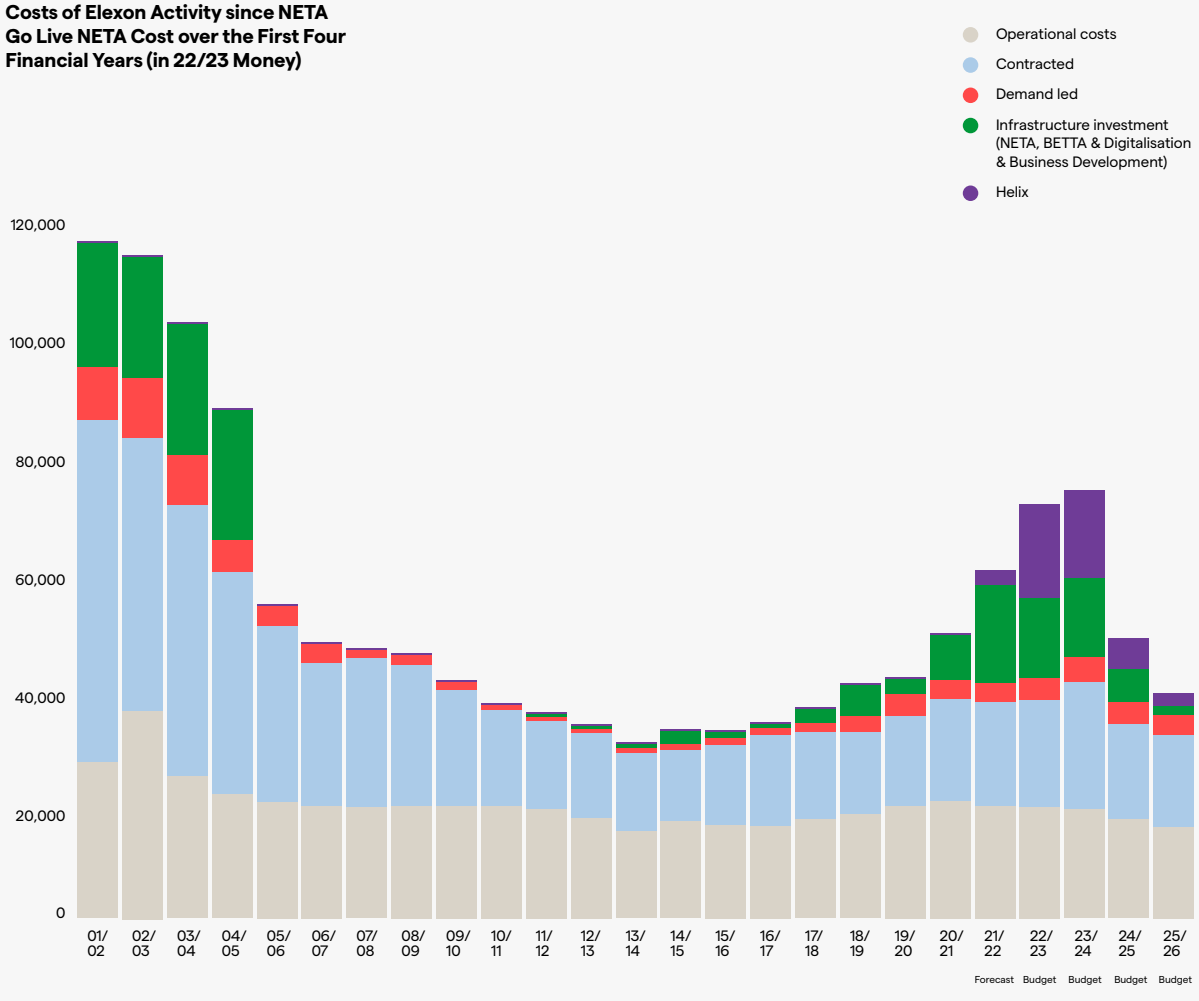
Our budget in more detail

(Continued)

The chart below shows the total costs of Elexon activity since NETA go-live in 2001/02 in real terms (in 2022/23 money after applying April RPI impacts for each year). The costs are net of staff and overhead costs for EMR activities (which are fully funded by LCCC/ESC).
It shows the infrastructure investment in the early years for NETA go-live and subsequent expansion to Scotland, then the reduced investment, where BSC Parties benefitted from sweating of those assets, as we successfully brought the costs down though efficiency savings and competitive procurements.

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

Costs of Elexon Activity since NETA Go Live NETA Cost over the First Four Financial Years (in 22/23 Money)



Charging analysis

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

Table 3.1
Section D – Charging *

- £500 Application Fee;
- Membership fee of £250 per month;
- CVA Metering System Monthly Charge of £50 per month.
- CVA BM Unit Monthly Charge (other than for Supplier BM Unit) of £0 per month (this charge is levied on each pair of BM units in the case of an exempt generator);
- For communication line and TIBCO charges, please refer to the Elexon website
- Notified Volume Charge per Gross Contract MWh at a rate of £0.0005/MWh;
- For all Base SVA BM Units a charge of £0 per month;
- For all Additional SVA BM Units a charge of £60 per month;
- SVA costs split:
  - 50 percent of costs are paid by generators on the basis of metered energy volumes;
  - A fixed fee of £0.01429 per SVA Metering System per month;
- MHHS Monthly Implementation Charge, a fixed fee of £0.05187 per SVA Metering System per month;
- All remaining costs split on the basis of metered energy volumes.

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

Based on the information in Table 3.4 examples of charges to BSC Parties are provided. First, the 2023/24 Annual Budget is set out in Table below.

Table 3.2
Split of Costs

	Assumed Split of Costs		
	2022/23 Budget	**2022/23 Forecast**	**2023/24 Budget**
SVA Costs	7.6	7.6	11.0
Other Costs	71.1	71.2	76.8
MHHS Costs	19.5	19.5	19.9
Total	98.2	97.2	107.7

Charging analysis

(Continued)

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

Table 3.3
Market Assumptions

Market Assumptions	2022/23 Budget	2022/23 forecast	2023/24 Budget
Number of Trading Parties	470	482	482
Sales - Notified Contract Volumes (TWh)	715	767	782
Purchases - Notified Contract Volumes (TWh)	715	767	782
Generation (TWh)	222	206	210
Supply (TWh)	222	206	210
NHH Supply (TWh)	100	88	90
HH Supply (TWh)	122	118	120
CVA BM Units	990	1,154	1,200
SVA Base BM Units	250	238	245
SVA Additional BM Units	300	382	400
Data Line	53	43	43
Comms Software (5 users)	29	26	26
Comms Software (additional user)			
CVA Metering Systems (MSIDs)	945	994	1,000
SVA Metering Systems (MSIDs)	31,980,612	31,923,175	32,242,407

Charging analysis

(Continued)

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

Table 3.4
Expected Charges

Charge Item	2022/23 Budget	2022/23 Forecast	2023/24 Budget
Specified Charges			
CVA BM Units (£/month)	-	-	-
SVA Base BM Units (£/month)	-	-	-
SVA Additional BM Units (£/month)	60	60	60
Data Line - estimated average (£/month)	700	700	700
Comms Software - average quad2 processor (£/month)	1,080	1,080	1,080
Comms Software {additional user} (£/month)	22	22	22
Contract Traded (£/MWh)	0.0005	0.0005	0.0005
CVA Metering Systems (£/month)	50	50	50
Base Monthly Charge (£/month)	250	250	250
MHHS Monthly Implementation Charge (£/msid/month)	0.05074	0.05074	0.05187
SVA			
SVA Metering Systems (£/msid/month)	0.00992	0.00992	0.01429
Gen Energy SVA (£/MWh)	0.017	0.018	0.026
Main Charges			
Energy fee (£/MWh)	0.19578	0.20828	0.22100

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

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

ELEXON