

BSCCo
Business Plan
2011-12





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Foreword by Chairman and Chief Executive



Andrew Pinder, Chairman



Peter Haigh, Chief Executive

As a customer-driven organisation, we recognise that the needs of BSC Parties and our wider stakeholders are constantly evolving against the backdrop of huge upheaval in the energy market. This has two key implications for our business which underpin every element of this Business Plan.

Firstly – more than ever – we should maintain our focus on ensuring excellence in delivering the balancing and settlement arrangements.

The last thing that our customers need during this period of intense change and investment is any unnecessary risk or expense in relation to existing industry systems and processes. So we'll continue to protect the integrity of our core services and drive improvements in the efficiency and effectiveness of our business. Our core mission remains:

To deliver the BSC effectively, efficiently and economically, to the benefit of our customers.

Secondly – we should harness the value of ELEXON's assets – expertise, systems and data – for the benefit of our customers, ensuring that the industry does not spend more than is necessary on central market systems, processes and operations.

We believe that the future central market arrangements (of which the BSC is a part) will look considerably different to the current ones. Creating additional schemes and mechanisms to deliver environmental policy (creating the Smart Energy Code (SEC) under the Smart Metering Implementation Programme, for example), together with existing pressures to simplify and enhance industry processes to support a secure and competitive market, will drive change and consolidation.

As an expert and experienced industry provider, we are well positioned to outline and pursue a vision of improved market delivery. Through speaking to our customers and by engaging with DECC and Ofgem, we will identify and advance enhancements to the existing market arrangements, and seek to secure a leading role in delivering and operating these. We will also look to develop a broader set of service offerings (better provision of data, for example) where this will benefit our customers, industry and consumers. Our vision is:

To be a leader in the efficient transformation of energy markets – by providing shared solutions to address common industry problems.



Introduction

Welcome to the draft BSCCo (Balancing and Settlement Code Company) Business Strategy and Annual Budget for 2011-12. It's an overview of our major activities for the coming year and beyond, and highlights some of the past year's achievements on which we'll continue to build. It's our response to the challenges and opportunities faced by our customers and the wider industry. And it's driven by our customers' expectations of our services, market developments, our past performance and the current economic conditions and outlook.

The Business Plan is in two parts; a Business Strategy describing our priorities and major activities, and an Annual Budget setting out the associated costs.

We want your feedback on the aims and initiatives described in this plan. The BSC Panel and ELEXON Board will take account of our stakeholders' views in the final Business Strategy and Budget which will be agreed and issued before 1 April 2011.



To help meet the decarbonisation targets, the Government has mandated the rollout of smart energy meters to every home in Great Britain. We expect the smart implementation to have a significant effect on ELEXON's core business. And there's also an opportunity for ELEXON to fulfil key central roles in the smart-enabled market and drive integration across the meter-to-bank arrangements, thus realising significant central market efficiencies and benefits for the industry.

We will need to invest in the business to realise these opportunities, as well as to manage the operational challenges that the mass rollout of smart meters presents. Our proposed budget reflects that.

However, we believe that the amount required to do this represents a small fraction of the value that the industry will receive if ELEXON – an asset in which the industry has already invested substantially over the last ten years – is enabled to continue to play a key role in the efficient operation of the market.

We will also need to amend our constitution and governance to allow us to extend the scope of our activities beyond the BSC and our plan includes activities to achieve this.

We believe that there will be significant benefits for the industry if ELEXON is enabled to fully support and participate in the proposed new smart metering arrangements. These include better value and lower costs for participants, lower risk for the industry as it transitions from legacy arrangements and increased competition for new central roles.

So this year's Business Plan is markedly different from those that have gone before. It proposes activities that fall outside the traditional scope of ELEXON's remit and reforms of the BSC governance regime to enable this. These matters will involve new costs for BSC Parties. We hope that we will receive rich feedback on these plans, so that we can embark on that journey with the active support of our customers.

2011-12 promises to be a defining year for ELEXON.

Our vision and mission



Review of 2010-11

In 2010-11 we focused on¹:

- improving BSC operations.
- increasing our customer focus and the value of our services.
- supporting industry developments.

Improving BSC Operations

Restructuring the business

In 2010, we restructured the business to enable us to deliver operational efficiencies in our core operations, while also allowing us to apply our expertise in key areas such as smart metering. We also appointed an experienced Chief Operating Officer to oversee our operational business.

The economic downturn means that our customers expect us to focus more than ever on making further efficiencies and increasing our overall value for money. We've driven down costs, reduced our headcount and delivered efficiencies in all areas of our business; effectively doing more for less.

A long term strategy for the BSC Systems

We listened to clear feedback from our customers and have reviewed all our web platforms. As a result, we've started a project to deliver a new ELEXON website, and to move all our operational data to the ELEXON Portal. Consequently, our customers will benefit from upgraded operational data and easier navigation.

These projects form part of a wider reaching application strategy that we have developed to ensure that our systems are always supported, in step with evolving industry needs and capable of accommodating the future smart world.

Securing value and innovation

We are constantly looking to drive down our contracted costs, secure better value in our commercial arrangements and be more curious about how we could save the industry money. In 2010, we reviewed the Profile Administration Service. This will open the way to delivering a better, more flexible service at less cost. The resulting savings will exceed £2m over the next five years.

Customer Survey 2010



¹ Our Mid-Year Business Update (October 2010) gives more information: http://www.elexon.co.uk/documents/about_us/mid_year_business_update/elexon_mid_year_business_update_v1.0.pdf

Increasing our customer focus and the value of our services

The results of this year's customer survey were some of our best ever (see graph on the previous page).

- Overall ratings of our performance and value for money improved.
- More customers felt that ELEXON is improving compared to a year ago. The main perceived improvements related to Operational Service Managers, more proactive contact generally and improved, simpler communications.
- The website remained the area customers would most like to see improved – particularly in terms of navigation and search. Cost efficiency and industry leadership were also possible areas for improvement.

Supporting industry developments

As part of our restructure, we established functions to allow us to better align our capabilities and partnerships to use our assets for the benefit of our customers. The major focus of these in 2010 was identifying the opportunities arising from the huge changes in the market from the introduction of smart metering.

The publication of the DECC/Ofgem Smart Metering Implementation Programme Prospectus in Summer 2010 gave much greater insight into the shape of the future market arrangements which will support the rollout of smart meters. We were extremely encouraged by the underlying approach – our current delivery model has many similarities to that proposed for the DataCommsCo (DCC) and Smart Energy Code (SEC) and we would therefore be well placed to deliver these services.

We established a smart programme to enable us to provide coordinated support to the implementation programme and the wider industry. Early activities of this programme included responding to the various consultations and impact assessments issued by DECC and Ofgem. Our responses are on our website.

We've continued to support and inform debate around the smart solution through engaging with Ofgem's working groups and industry forums. And we've had direct and positive dialogue with many of our customers around our proposed smart-related activities.

We also established a review of how the existing profiling and settlement processes could be modified to account for developments in the use of smart and advanced metering in the non-half hourly market. Working with the industry, our effort so far has centred on matters relating to the rollout of Advanced, Automatic Meter Reading (AMR) for customers in Profile classes 5-8 (Non-domestic Maximum Demand tariffs)². We will bring forward recommendations to the Supplier Volume Allocation Group (SVG) on how the existing profiling and settlement processes could be changed.

² <http://www.elxon.co.uk/Smart/Smartandadvancedcons.aspx>

Our Strategic Priorities for 2011-12

In the coming year, our overall strategy will be to:

- maintain and build upon our previous achievements to fulfil our mission – “To deliver the BSC effectively, efficiently and economically, to the benefit of our customers.”

And to:

- support the best strategic outcomes for the evolving industry by pursuing our vision – “to be a leader in the efficient transformation of energy markets by providing shared solutions to address common industry problems.”

Ensuring excellence in the governance and operation of the balancing and settlement arrangements remains our number one priority and we will not lose focus on this. We do plan to proactively seek opportunities to engage with our customers, use our expertise to increase our value to BSC parties, and ensure that we can play a full role in the forthcoming Smart Metering Implementation Programme

and the future arrangements. But as we do this, we will always recognise that our performance in delivering the BSC is the bedrock of our ambition to play a wider role within the industry.

To fulfil our mission, we will:

- 1 actively manage and continually improve BSC services to ensure that we deliver in an efficient, effective and economic way.
- 2 drive efficiencies and savings in our operational business.
- 3 improve the customer experience and develop richer customer relationships.

To pursue our vision, we will:

- 4 develop our services and adapt our business to address industry challenges.

These priorities – and the key activities that we will undertake to pursue them – are explained further below.

1 Actively manage, and continually improve, BSC services to ensure that we deliver in an efficient, effective and economic way

- Ensure integrity of BSC arrangements
- Improve operational delivery
- Streamline, automate, in/outsource or retire functions

2 Drive efficiencies and savings in our operational business

- Controlled financial management
- Drive efficiencies and savings
- Secure best value from commercial relationships
- Innovation through partnership

3 Improve the customer experience and develop richer customer relationships

- Stakeholder relationships
- Identify customers' needs
- Interaction and communication

4 Develop our services and adapt our business to address industry challenges

- Fully embrace smart metering opportunities
- Commercialise BSC assets
- Address governance and vires issues

Priority 1 – Actively manage, and continually improve, BSC services to ensure that we deliver in an efficient, effective and economic way

Our aim is to deliver a service that is consistently excellent: exceeding customer expectations, while instilling confidence that we are an effective and efficient organisation that is continually looking for new ways to deliver increased value to the industry.

To meet this priority, we will:

- ensure the ongoing integrity of the BSC settlement arrangements.
- improve our end-to-end operational delivery.
- streamline, automate, in/outsourced or retire functions to ensure that our level of service remains fit for purpose and continues to deliver value for money.

Some of the BSC and our own systems, processes and procedures may be more complex, inefficient or demanding than necessary, and may fail to take advantage of improved technology or best practice. By identifying these cases, we can make a real operational difference to our customers' businesses, and make it easier and cheaper for them to operate under the BSC.

For example, the BM Unit and Party Registration processes were recently outsourced to the Central Registration Agent to create a one-stop shop for our customers to speed up the registration process. We have also outsourced the Performance Assurance Reporting and Monitoring System (PARMS) hosting service to Logica to enhance process and system efficiencies. We removed 14 PARMS Serials as our customers decided that these no longer provided meaningful metric data for Settlement Risks. And we are progressing further PARMS innovations to enhance reporting to customers. We'll continue to look for more opportunities like these, where we can drive efficiencies that benefit our customers.

Delivery of Application Strategy

We have developed an Application Strategy in conjunction with our service providers and will continue to work with them to drive efficiencies in delivering BSC processes. We will develop business cases for the innovations outlined in the strategy and implement these where there are clear benefits to our customers. We intend to have successfully progressed three business cases to the implementation process by the end of 2011/12.

Review of Change processes

In 2011/12, we will review the BSC Change processes that we operate (as set out in Section F of the BSC and BSCP40). We want to ensure that we continue to deliver a streamlined service, engage effectively with our customers and integrate internally- and externally-driven change. And we'll look to strengthen and enhance our 'critical friend' role and align our approaches to the Code Administrators Code of Practice implemented after Ofgem's recent review of Industry Codes governance.

Review of committee processes

We want to make our services in managing and supporting the work of Panel committees more efficient. We aim to find ways to help these committees to be as focused and effective as possible. We believe that we will be able to find ways to progress more of the basic and routine work, within appropriate checks and balances, while allowing the committees to focus on those areas where their skills can add greatest value.

BSC review

Under the terms of the BSC, we have to carry out a periodic review of its implementation and operation. These reviews must take place at least once every two years. We are currently considering the topic for the next review.

Priority 2 – Drive efficiencies and savings in our operational business

We always aim to create additional value for our customers by improving and enhancing our services and continuing to drive down costs where sensible. The current economic downturn also means that our customers expect us to focus more than ever on being more efficient and increasing our value for money.

If we are to show that we are a truly customer-focused, best-in-class operator, then we need to continually strive to deliver value. While we will remain committed to continuously improving our services, the focus will be on a robust financial business case for every development.

To meet this priority, we will continue to:

- promote controlled financial management.
- achieve efficiencies and savings.
- secure best value from our commercial relationships and deliver innovation through partnership.

Improving processes

We'll continue to work with our service providers to improve how we deliver BSC processes. We'll also continue to assess how efficient our processes are, and to review whether we can improve, automate, eliminate or outsource them. We will identify areas for improvement with business cases that align with our operational and strategic objectives and clearly show benefits to our customers. We will outsource processes where this can benefit our customers.

Procurement

We have a strong track record in procuring and managing contracts. We'll continue to review how we procure our services and will always seek to optimise the content and timing of procurements. We'll also ensure that, where relevant, our future procurements are flexible so that services can accommodate the rollout of smart metering and its impact on the BSC.

We'll progress re-procuring our major outsourced assurance services in 2011/12 (Technical Assurance) and 2012/13 (Audit and Qualification) so that we can reduce costs further and achieve service benefits.

Priority 3 – Improve the customer experience and develop richer customer relationships

To meet this priority we will:

- actively and consistently manage our stakeholder relationships.
- identify customers' needs and common problems through more planned interaction and targeted communication.
- respond appropriately to customers' requests and requirements so that we use our resources most economically and effectively.

We put our stakeholders at the very heart of our business. They are diverse – electricity producers, suppliers, traders, National Grid, distribution network operators, regulatory and government agencies and consumer bodies. The needs and aspirations of our customers vary widely and we'll continue to balance these as effectively as possible. Over the last few years, we've become much more customer focused. We measure our progress against a wide range of customer service attributes and we've made significant progress.

Our customers welcome our ongoing service improvements as our excellent customer satisfaction results show again this year. But we can still improve.

Recent customer feedback has emphasised the value that they place on developing greater direct contact and understanding between ELEXON and their businesses. While our results around customer support are strong, there is always more we can do to improve.

Engaging with customers

To continue to improve, we need feedback from our customers and to develop greater insight into their needs. You'll notice ELEXON becoming more curious and more customer-focused. We're asking what we could do better, looking for more opportunities to deliver additional value and to build on the 'critical friend' role that we've adopted so successfully in delivering the BSC Modifications process. We'll take steps to make engagement easier through technology and improved face-to-face dialogue at meetings and workshops.

Subject to customer demand and positive business cases, we will implement:

- an enhanced online industry calendar.
- online consultations.
- online meetings and forums.
- recordable downloads for key industry meetings.

Customer Relationship Management

We will develop our relationship management processes and tools to enable us to collect and use information about what our customers and stakeholders want and expect from ELEXON. This will help us to most effectively develop our services to improve our efficiency and adapt the business to meet industry challenges.

We'll plan our engagements with customers and stakeholders, including BSC Parties, Government and regulatory bodies, to help us understand the common industry problems, contribute to their solution, and to get more focused feedback on our plans and strategy.

Enhancing OSM and online services

Building on the positive feedback in the latest customer survey, we'll continue to provide a named contact for every customer via our Operational Support Manager (OSM) service. We will further improve the OSM service in 2011/12 by continuing to develop our understanding of individual customers' businesses structurally, commercially and operationally. We'll also investigate offering our customers a broader set of service offerings, potentially charging for services where there is demand and a fair case for doing so.

Subject to customer demand and positive business cases, we'll deliver better online services, including:

- online forms and processes.
- online training and remote training, using tools such as webinars.
- a central repository of training material, including tools required to make this material customer-specific.

Material Error Monitoring services

We'll improve our processes and services for reporting our customers' performance against BSC standards and obligations. This will give our customers clearer, simpler reporting, and we'll produce it more efficiently by minimising manual input. This should mean continuing to reduce material errors in settlement and eliminating the need for Estimated Annual Consumption/Annualised Advanced trading disputes.

Further web development

Responding to feedback from the customer survey, we'll continue to develop our new website, adding self-service where appropriate and enabling customers to further customise the information they receive from ELEXON. We'll also consider how we can offer more online services through our website to streamline some BSC operational processes.

Sharing our knowledge and expertise

We'll host and participate in industry events where stakeholders can share views and ideas on what's important to the industry and where we can contribute our expertise and knowledge.

Priority 4 – Develop our services and adapt our business to address industry challenges

We operate in a market which is subject to unprecedented pressure for change. We are particularly well placed to deliver the operational changes required to assist the industry through this period of change. Our key strengths include:

- a track record in delivering major industry change through complex systems.
- access to and experience of high volume data management.
- our trusted and independent central market position.
- a strong, partnership-based delivery model.
- a proven ability to deliver significant savings to our customers through robust procurement and commercial management.

We'll look for new ways to harness the growing value of ELEXON's assets – expertise, systems and data – to benefit our customers and ensure that the industry does not spend more than is necessary on duplicated central arrangements as planned industry reforms are rolled out.

To meet this priority, we will:

- rise to the challenges and embrace the opportunities that smart metering will offer, actively pursuing material roles, where we can make a difference.
- develop BSC assets for the benefit of BSC Parties.
- proactively position ourselves as the industry's preferred provider of central arrangements.
- maximise the use of our available skills and resources by addressing opportunities beyond our traditional, constrained BSC role.
- address the governance and vires of ELEXON as necessary to enable these strategic developments.

Smart metering activities

We've told the industry that we want to play a central role in implementing and operating the new smart arrangements. In our responses to the summer prospectus published by the Government, we advocated:

- that we are committed to supporting the delivery of the Programme.
- bringing forward the appointment of DCC.
- having the DCC administer the SEC.
- consolidating industry codes and agreements in the longer term.
- that there must be clear interim arrangements and governance before the DCC is established.
- the transition from dumb to smart meters must be carefully managed – a process we will actively manage for settlement.
- that the Change of Supplier process should be reformed.

In 2011/12, we'll continue to build upon and enhance our expertise, capabilities, resources and partnerships so we can make the best proposition to the industry and deliver any future smart roles effectively and cost efficiently.

Our smart-related activities and spend will be subject to regular oversight and robust financial governance by the ELEXON Board and regular updates to the Panel and Parties.

We are budgeting £3m in 2011/12 to deliver our smart metering programme. This will enable:

1. Protecting our core settlement operations

We'll continue to assess the impact of the smart metering proposals on BSC activities and develop solutions to:

- protect the integrity and accuracy of BSC settlement.
- update BSC systems to handle smart changes.
- manage the impact on the profiling arrangements.
- prepare the BSC for the impact of smart metering.
- define the appropriate BSC operating model under the smart regulatory, commercial and operational framework.

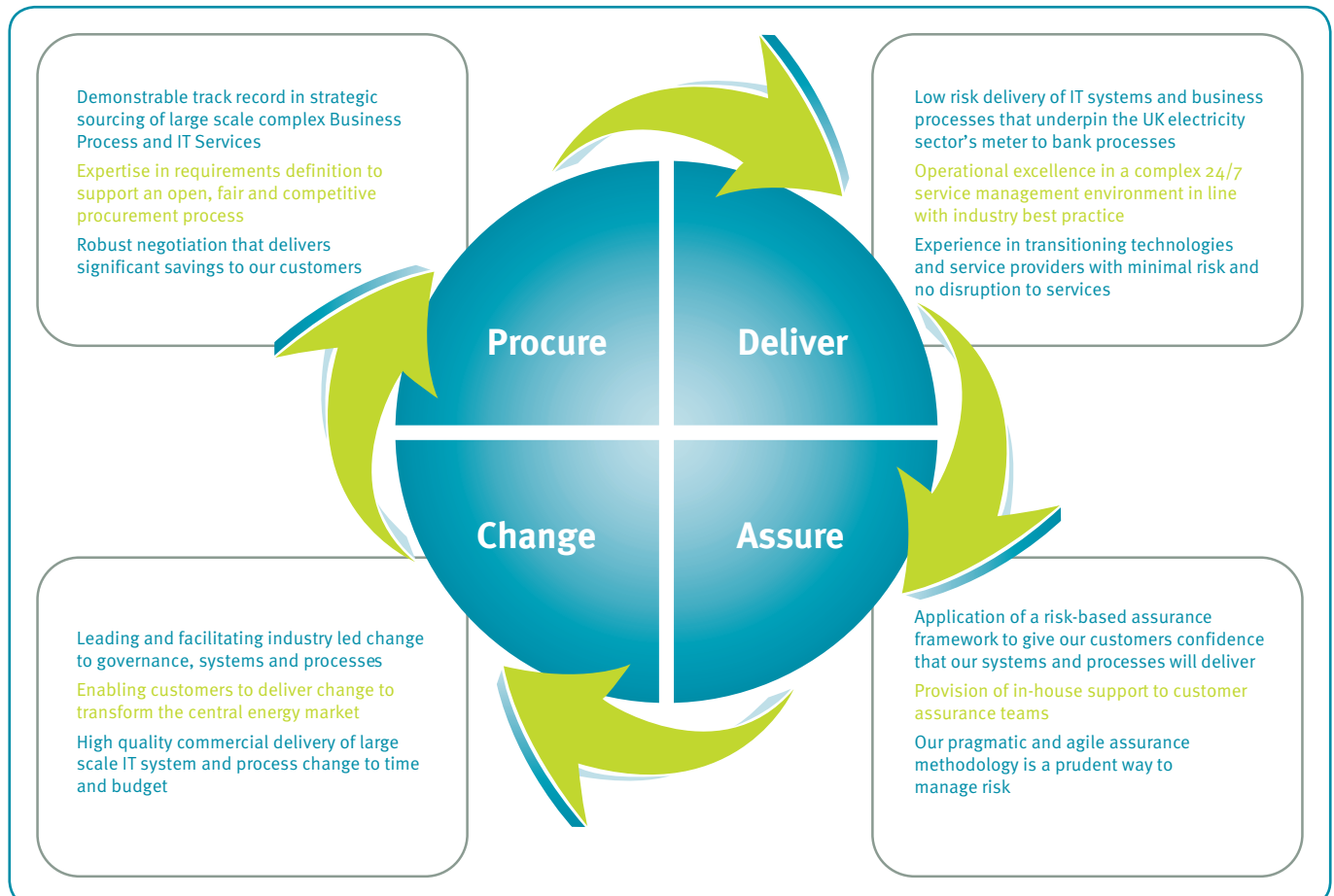
2. Supporting the Smart Metering Implementation Programme

We'll continue to support the industry's implementation programme during the rollout. This includes:

- supporting the development of the solution and industry discussions on the most efficient and effective design.
- providing experience and expertise during the development of the Smart Energy Code and meter specifications.
- supporting any interim governance and/or interim interoperability arrangements pursued by DECC, Ofgem or industry participants.

We want to position ELEXON as a critical friend for the industry during implementation and rollout and to offer our support to DECC and Ofgem and our customers.

Excelling in our core activities

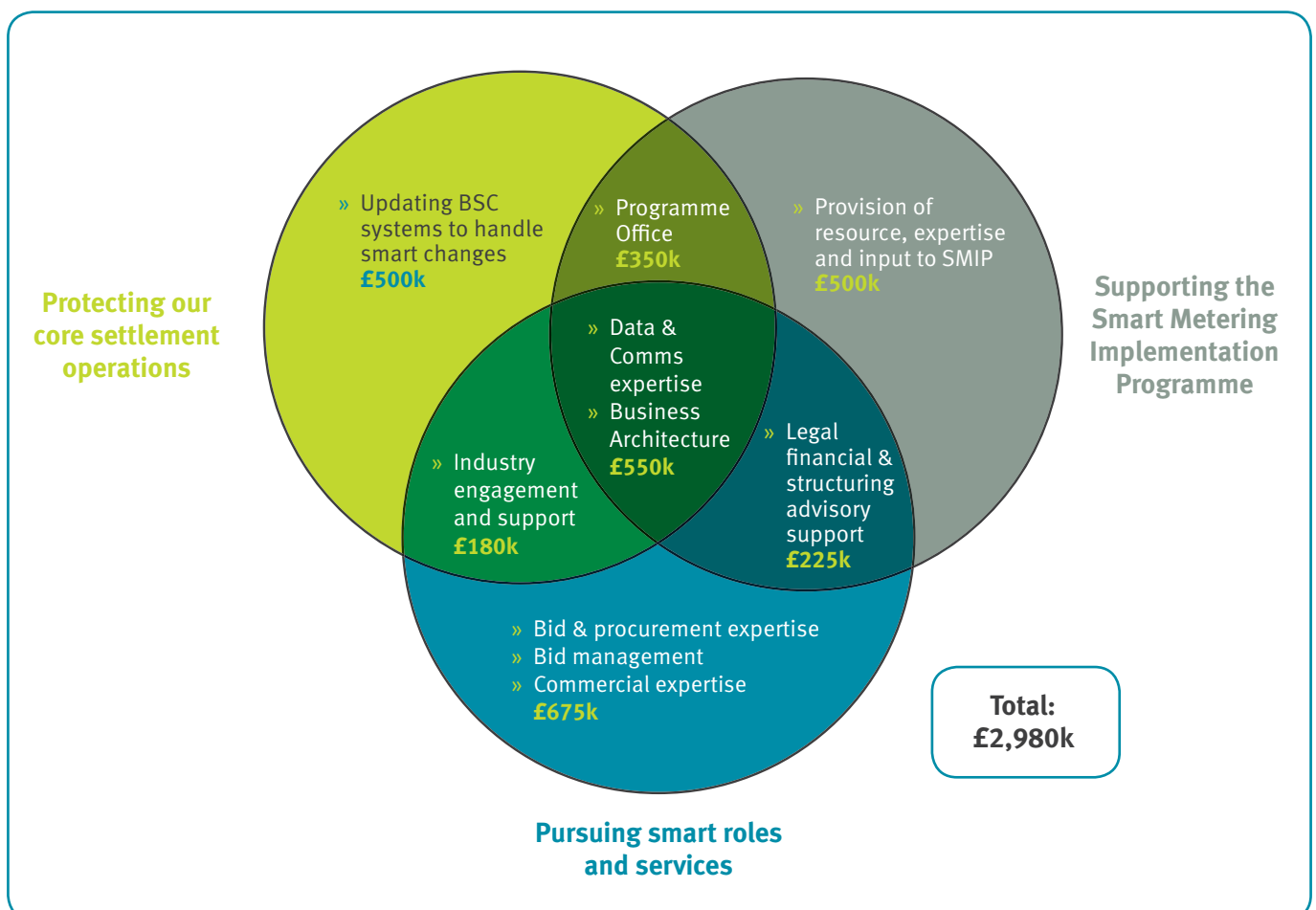


3. Pursuing smart roles and services that offer best value to the industry

DECC and Ofgem have outlined proposals for the regulatory and commercial framework for smart meters, including the central data, communications and governance arrangements and associated smart central services, including the DCC and Smart Energy Code administration roles. The smart central services will be offered under competitive licence application and/or tender.

Explaining our smart programme cost estimate

The diagram below shows our current best estimate of the breakdown of costs across the major activities within the three strands of our smart programme.

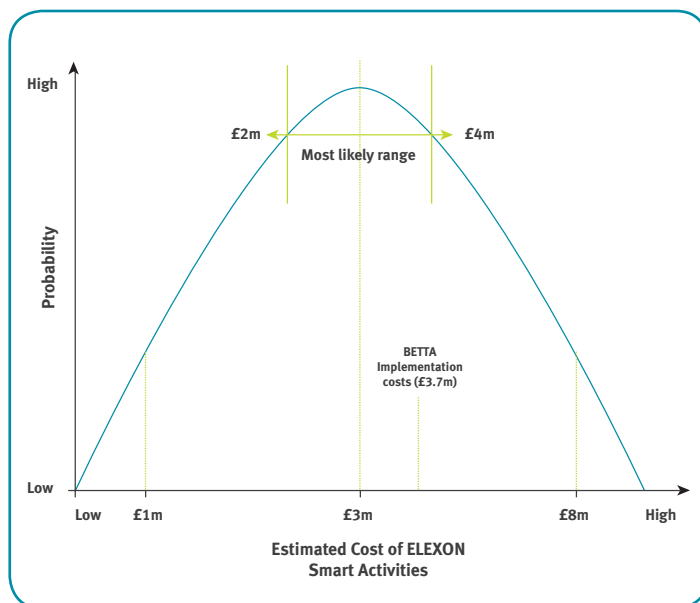


However, we have estimated the likely activities and associated costs that we will incur in implementing our smart programme against a very uncertain and fluid background. A number of unknowns remain regarding the final shape of the smart metering arrangements and the Government and industry implementation programme that will deliver them. These include:

- the final scope of the services and activities of the DCC.
- the nature of the licence application process for the DCC and the requirements upon applicants.
- the final scope of the provisions and obligations to be contained within the SEC and the consequent impact on the BSC.

As illustrated below, £3m represents our view of the most likely cost requirement, taking into account our assumptions about the above uncertainties, our strategy and the cost of similar major industry change programmes that we have been involved in, such as the implementation of BETTA.

Estimated smart programme costs



The benefits case for ELEXON's involvement in smart metering

ELEXON is well placed to actively pursue such opportunities in the smart regime and, by doing so, to deliver long term efficiency savings for the industry.

As an experienced provider of shared services of this nature, we believe that our participation would benefit the industry. These benefits include:

- If selected to deliver the smart central services, we would, subject to an appropriate commercial arrangement, use our existing assets – people, systems and processes. This would let us lower the total central overhead costs to the industry and reduce participant costs arising from needing to deal with multiple central bodies.
- ELEXON has core expertise in procuring, delivering, assuring and modifying large and complex industry systems and processes. We have delivered significant efficiency gains and cost reductions in managing the BSC arrangements over the last 10 years. If successful, we will use our expertise and experience to ensure that the smart central services are managed and operated effectively and efficiently.
- We believe that if we were also responsible for delivering the smart central services, this shared platform would reduce the risk and cost of transition from legacy systems. Also, it would enable us to rationalise and simplify common industry processes, and so reduce costs to industry.
- Given our relevant experience, we believe that our involvement in any tender process for the smart central services would improve the quality of any bids and the quality and cost effectiveness of the selected bidder. Conversely, excluding us from any such tender will, in our view, make the tender less competitive.

Adapting our business

The BSC currently limits ELEXON's ability to undertake activities outside the BSC and therefore prevents ELEXON from pursuing or undertaking any smart metering roles.

So we can be in a position to deliver the benefits to the industry described above, an appropriate "enabling" modification to the BSC will be required. We will progress this and fully implement the changes in 2011. We've started to consider a range of governance models and to discuss options with BSC Parties to ensure that they have fully understood our thinking and that, where possible, we have addressed any concerns. We plan further structured engagement with Parties on this subject, including a briefing and discussion session in January 2011.

One possible model would be for a Modification to have the following effect:

- It should enable ELEXON (directly or in conjunction with third parties) to engage in certain smart-related activities through a separate subsidiary ("New Co").
- All the costs, risks and liabilities arising from our smart activities will be completely ring fenced in the subsidiary, so they do not threaten our core BSC services or BSC Parties.
- There will be appropriate industry representation on the board of directors of New Co.
- The activities of New Co will not relieve or dilute ELEXON's obligation to ensure that the BSC service is delivered in line with the BSC (i.e. the BSC service will not degrade).

We believe that these changes would balance allowing ELEXON enough freedom to pursue a wider role in the new smart arrangements with giving the industry enough safeguards around our activities and costs.

We appreciate that these will be significant reforms. BSC Parties and other stakeholders will understandably have many concerns and needs that we will need to take account of as we develop more detailed proposals in this area.

Business development

We'll continue to position our capabilities and partnerships to pursue opportunities that make greater use of our assets and deliver services to best commercial value for our customers. We will develop commercial solutions and services for our customers that achieve real value across the central energy market.

We'll look to improve our service offerings in 2011/12. For example, we are currently investigating whether we can develop data insight services (e.g. the impact of smart on settlement volatility) that complement our BSC data responsibilities. These could allow us to deliver our data more quickly, in the format our customers want and augmented with other data sets. This will enable our customers to operate their businesses with more predictive data based on historical trends.

Success for ELEXON here is ensuring that energy market participants gain maximum advantage and insight from BSC data and assets. As we develop more detailed propositions in this area we will discuss these with BSC Parties to validate that they are valuable services and will only launch new services where there is a clear business case that benefits our customers.

We'll also continue to explore business opportunities that have come directly from our increased customer engagement – assessing the impact of increased intermittent generation on settlement volatility is one area we are looking at. As these are validated, we will propose business cases and implementation plans that include funding and governance proposals.

Market transformation

We'll work proactively with industry participants and other market operators to simplify and rationalise key industry processes and systems to benefit customers and end users. This could include reviewing areas such as the opportunity to converge electricity and gas change of supplier processes and the structure of the future supplier hub arrangements.

As well as the impact of smart metering, and the move towards smart grids, there are many other areas of policy and market reform on the horizon that may impact the BSC arrangements or where ELEXON could offer value to our stakeholders. For example, the Government has said it will begin a wholesale review of the energy market soon. We'll identify and promote new ways in which the existing market arrangements can be transformed to deliver major Government or Ofgem initiatives, or support other major market developments.

An illustration of how existing BSC systems and processes can deliver increased value to our customers is the potential role for ELEXON as the Reconciliation Agent under the Government's proposed fuel poverty arrangements. This year's Energy Act allows the Secretary of State to introduce schemes to reduce fuel poverty.

The proposed 'Warm Home Discount' scheme will oblige Suppliers to give direct assistance with energy bills to vulnerable and fuel-poor consumers. The Act also creates powers for the Secretary of State to set up a Reconciliation Mechanism that will share scheme costs fairly between energy suppliers.

ELEXON has supported DECC in developing the reconciliation policy and mechanism. DECC began its consultation on the operation of the scheme and proposed licence changes in December 2010. This includes a proposal to appoint ELEXON as the operator of the Reconciliation Mechanism. The Secretary of State is expected to change the National Grid Company's Transmission Licence and the BSC to effect these proposals from April 2011.

Tracking our progress

We recognise the importance of measuring and reporting on our performance levels. We currently use a number of performance indicators to do this. We focus on:

- customer perception of the value for money we represent (customer survey).
- customer satisfaction across a wide range of service attributes (customer survey).
- contracted costs.
- operational costs.
- cost and speed of change to BSC systems.
- comparison with other industry organisations.

We currently publish this data in different formats, including our annual Business Plan, our quarterly and annual reports and specific publications around our customer survey results. We are also developing further Key Performance Indicators (KPIs) to support the new Code Administrators' Code of Practice.

Budget

Overview

This is the first draft of our 2011/12 budget. It provides details of the budgeted costs for 2011/12 and explains variances against current levels of activity, as detailed in the 2010/11 forecast. We started the budget process in October, so the comparison for the full year outturn for 2010/11 is based on the September 2010 forecast.

The budget for regular ELEXON activity shows an increase of £358k (1.1%) against last year's budget. This budget will enable us to deliver the four strategic priorities identified in our Business Plan, particularly around improving customer experience and addressing wider industry challenges.

As with previous years, we will put forward our Business Plan for industry review. We will assess any comments received, and feed them back into the process where applicable. The Board and Panel will sign-off their respective parts of the Business Plan in March 2011.

Note the forecast underspend in 2010/2011 at this time is increased by the timing of certain expenditure (i.e. work on web development).

The following are the significant areas of change or uncertainty. We analyse them and other variances throughout this budget.

- Our key strategic priority for next year is to develop our business to address industry challenges through embracing opportunities arising from the SMART Metering Programme. To enable us to deliver this strategic objective, £3m has been included in next year's budget. This is covered in our Business Plan in detail.
- As mentioned in last year's budget, a full actuarial valuation of the NGC pension scheme was carried out at the end of March 2010, and the results have not yet been published. We have made the same assumptions as in the 2010/11 budget, and they are explained in the relevant section.
- An organisational development budget (£1m) for 2011/12 only has been included to enable us to develop the organisation and ensure that ELEXON is in good shape to address future industry challenges.

Table 1 Budget summary

Item	Year to March				
	2011 Budget £m	2011 Forecast £m	2012 Budget £m	2013 Projection £m	2014 Projection £m
ELEXON Operational	16.3	16.2	17.1	16.4	16.8
Demand Led	1.6	1.2	1.4	1.4	1.4
Contracted	14.2	13.9	14.0	13.2	13.9
ELEXON Total	32.1	31.3	32.5	31.0	32.1
SMART	–	–	3.0	3.0	1.3
Overall Total	32.1	31.3	35.5	34.0	33.4

- Our new business rating list came into effect on 1 April 2010. The rateable value of our premises increased by 72%. In 2010/11, we received £171k transitional relief from the government. The transitional arrangement will fall to £77k in 2011/12.
- The Technical Assurance agent contract is due to be re-procured in 2011/12. A budget of £200k will cover possible exit management and transition costs. This figure is based on the set-up cost of the current contract.
- We continue to achieve savings from our contracted costs. Further reductions have been made in the Business Process Operation (BPO)

contract and the application management element of the AMD (Application Management and Development) contract. The re-procurement of Profile Administrator (PrA) contract will save £397k in 2011/12. However, various upgrades (e.g. Unix and Oracle) of the AMD environment only started in Q4 of 2010/11. The full year cost for 2011/12 increased the infrastructure cost budget by £459k compared to the 2010/11 forecast.

ELEXON operational

The costs for ELEXON Operational are further detailed in Table 2 below:

Table 2 ELEXON operational

Item	Year to March				
	2011 Budget £'000	2011 Forecast £'000	2012 Budget £'000	2013 Projection £'000	2014 Projection £'000
People costs	10,191	10,376	10,948	10,111	10,526
Occupancy	2,729	2,725	2,843	2,989	3,042
Other Overheads	2,307	2,171	2,356	2,344	2,345
Consultancy Support	221	189	218	205	211
Legal and Statutory Audit	156	101	156	106	106
Income (net)	(80)	(81)	(55)	(55)	(55)
Projects	607	445	500	500	500
Contingency provided	200	200	200	200	200
Operational Total	16,331	16,126	17,166	16,400	16,875

People (employee and contractor) costs

Table 3 ELEXON people costs and headcount

Item	Year to March				
	2011 Budget £'000	2011 Forecast £'000	2012 Budget £'000	2013 Projection £'000	2014 Projection £'000
Employee Costs	9,714	8,797	9,391	9,712	10,126
Contractors	477	1,041	557	399	400
Subtotal	10,191	9,838	9,948	10,111	10,526
Organisational Development	–	538	1,000	–	–
Total People Costs	10,191	10,376	10,948	10,111	10,526
Employee Headcount	140.7	114.7	119.6	119.6	119.6
Contractor Headcount	5.0	8.3	4.4	4.4	4.4
Total Headcount	145.7	123.0	124.0	124.0	124.0

Costs of £10,376k forecast for 2010/11 compared to £10,948k budgeted for 2011/12, show an increase of £572k. The main variances and points to note are:

- As previously stated, we currently do not know the outcome of the March 2010 actuarial valuation of the NGC pension scheme. Therefore, we've made the same assumptions as we did in the 2010/11 budget. At present, the budget includes the worst case assumption of a monthly deficit payment of £73k and an employer's contribution rate of 32.5%. Once the valuation outcome is available, we will reflect the actual impact of the outcome on our budget before the start of the next financial year.
- Where appropriate, we replaced contractors with permanent resource to minimise the risk to the business and to deliver our services in a more efficient and cost effective way. Consequently, the budget increases salary costs by £189k for permanent employees and reduces contractor costs by £484k.
- People costs include a 5% uplift to cover any ex-gratia bonuses, staff replacement or retention measures, as well as provision for an annual pay review. This review will take into consideration industry benchmarks, our customers' remuneration strategy and relevant indices.
- In 2010, we carried out a transformation programme. This has enabled us to streamline BSC operations and dedicate resources to developing richer customer relationships and adapting our business to address wider industry challenges. We have also ensured our company structure is fit for purpose going forward. To this end, we have an organisational development budget of £1m to address skills gaps in the business and continue our organisational transformation. The layout in Table 3 shows the base people costs for ELEXON as distinct from any one-off investment for the coming year.

Occupancy

The occupancy cost for 2011/12 is budgeted to be £2,843k, some £119k above current year forecast. The changes in assumptions and points to note are:

- The last rent review was effective from August 2007 and was set for five years. Therefore, because the next review will not take place until 2012, the budget for 11/12 is consistent with the 10/11 expected outturn.
- The current Rating List from Camden Council, effective from 1 April 2010 until 31 March 2015 has increased the rateable value of ELEXON's premises by almost 72% , from £1,030k to £1,770k. The £171k transitional relief from the government in 2010/11 will be reduced by £94k in 2011/12. An inflation rate of 3.6% (advised by our rates advisor Colliers International) has been applied to our base liability which gives rise to a further increase of £26k.
- Our landlord has advised us that service charges are likely to increase by 3% for 2011/12 from an annual cost of around £291k to £304k. In addition, we have not assumed that the £6k rebate we received this year will recur.
- We are still covered by the two-year electricity contract that our landlord secured last September. However, usage has increased slightly, and this may continue as the building ages. Consequently, an uplift on the expected outturn for 10/11 (£72k) of 7% has been made in the 2011/12 budget (£78k).
- The forecast for 2010/11 included a one-off cost to install smart meters on our premises and carry out some ad hoc maintenance. We do not need to do this in 2011/12, so we have reduced the 2011/12 budget by around £23k compared to the 2010/11 forecast.

Other overheads

Table 4 shows overheads and the variance against current forecast across sub-categories:

Table 4 Other overheads

Item	Year to March				
	2011 Budget £'000	2011 Forecast £'000	2012 Budget £'000	2013 Projection £'000	2014 Projection £'000
Payroll Related & Temporary Staff Costs	45	36	24	24	24
Training	342	349	242	242	242
Recruitment	225	108	185	185	185
Staff Welfare	194	179	171	156	156
Travel & Entertainment	189	79	137	129	131
Office Expenses	555	506	499	502	497
Telephone	81	79	87	90	94
IT/Computers	447	545	554	551	551
General Admin	183	169	244	252	252
Marketing & Proposition Development	–	74	179	179	179
Bank Charges and Interest	46	37	34	34	34
Misc.	–	10	–	–	–
Other Overheads	2,307	2,171	2,356	2,344	2,345

The changes that give rise to the above variances are:

- To achieve further efficiency, we've changed our policy around using temporary staff. This results in a £13k saving compared to the current year outturn.
- Recognising a more stable workforce due to lower turnover and the need to control people related costs, training has been reduced to £242k. This has lowered costs by £107k compared to the 2010/11 forecast. We have calculated this figure by assessing CPD requirements and job specific training needs, as well as corporate training initiatives.
- The first six months of the current year saw the annual recruitment forecast at a historical low of £108k. We could see an increase in the number of voluntary leavers due to a brighter outlook in the private sector next year. This, coupled with our efforts to replace contractors with permanent staff, has increased recruitment costs by £77k in the 2011/12 budget. This is derived from an assumed turnover of 15% and a 20% fee on our base wage bill.
- The reduction in headcount has contributed to a £7k (3.8%) reduction in the staff welfare budget for 2011/12, compared to the current year forecast.
- Our 2010/11 budget includes a £115k provision for overseas travel to India. This was later removed in the forecast due to the restriction on discretionary spend in the current year. However, our recent experience with the Big Web project has proven that a modest level of travel to the offshore development team of our AMD service provider will help achieve timely, high-quality delivery of projects. As a result, we've provided £30k for overseas travel in 2011/12. The remainder of the increase of £28k is due to more customer visits planned for 2011/12. This will enable us to develop richer customer relationships through active engagement.
- The overhead category "Office expenses" comprises a number of minor areas of spend. As such, several immaterial variances of under £10k are apparent when comparing the 2011/12 budget with the 2010/11 forecast. The only notable variance is a reduction of £11k due to depreciation. This is driven by the budgeted fixed asset requirements we have identified.
- The budget for telephone costs has increased budget by some £8k. This is mainly driven by an increase in the number of Blackberries issued to Operational Support Managers (OSMs) and customer-facing staff. We also installed a Webex facility in 2010/11 to tighten our network security control on third-party software maintenance providers. Otherwise, costs remain static.
- IT related costs show an increase from £545k in the 2010/11 forecast to £554k in the 2011/12 budget. The £9k increase is attributable to the additional Casewise software licence in 2011/12.
- There is a rise in the budget for general administration expenses compared with the forecast of some £75k. We assess the cost of meetings by reviewing the number of attendees and the frequency, and the coming year's increase of some £23k takes into consideration the increased cost of travel for some committee members. Our efforts to adapt our business to address wider industry challenges also gives rise to a £20k increase in the 2011/12 budget to attend external conferences and seminars. We have re-categorised our subscription to a Gartner market intelligence service from consultancy support (see below). This also contributes to some £14k of the variance when comparing the 2010/11 forecast with the 2011/12 budget. The remainder of the increase is attributable to several immaterial variances (less than £10k) spread across various sub-categories of spend.

- The increase of £105k in marketing and proposition development is mainly driven by two elements. One is an increase of £48k on sponsorship of external events to promote the ELEXON brand and to support and engage with our customers. The remainder of the £57k variance relates to market research to promote market initiatives where these benefit our customers.
- Bank charges and interest rates have been estimated and budgeted using the most recent trends in our current costs. The small saving of £3k is due to ELEXON Clear moving from BACS to internet banking.

Consultancy support

The overall budgeted spend for consultancy support shows an increase of £29k on current year forecast. The main drivers for this variance are:

- The re-categorisation of the Gartner subscription mentioned above has contributed to a £14k favourable variance. However, this is offset by the release of a £15k over-accrual in 2010/11.
- An additional £6k for pension consultancy in light of the recent changes to annual allowances.
- A £7k increase for the qualitative and quantitative customer survey to be conducted in 2011/12, and a survey around growth strategy.
- The remaining £15k increase is mainly attributable to potential costs for general consultancy.

Legal, litigation and statutory audit

While the budget for next year's audit fee remains at the current level, the budget increases by £55k for external legal fees compared to the forecast outturn for 2010/11. This year, there has been a lesser requirement for legal support. However, due to the uncertain nature of this demand and the reduction in internal legal resource, the budget has been maintained in line with the amount set for 2010/11 at £100k.

Income

Assumptions around office hire and interest income stay consistent with the current trends, as seen in the 2010/11 forecast. Minor reductions in expected training income and accession fees have reduced miscellaneous income by £5k overall. We received some £20k as a one-off receipt in relation to P246 in 2010/11, which caused the remainder of the variance.

Projects and capital expenditures

The Projects budget includes a provision of £500K, representing 1.4% of total ELEXON costs, for improvement initiatives. A significant element of this budget is earmarked for continued improvement to our web portal and investigating & implementing an efficient and cost effective information technology model. The capital expenditure requirements related to each initiative and the incidental replacement of normal wear and tear of office equipment equate to £150k. All initiative will need to be supported by a robust business case, demonstrating economic and/or efficiency benefits.

Contingency

The ELEXON Board will hold a £200K contingency budget for unforeseen and uncertain costs. Such items include potential litigation, additional contract staff requirements to cover peak workloads, maternity leave, and the level of variable activities within contracted costs and the outcome of procurements.

Demand led

Table 5 ELEXON demand led

Item	Year to March				
	2011 Budget £'000	2011 Forecast £'000	2012 Budget £'000	2013 Projection £'000	2014 Projection £'000
Impact Assessment – AMD	55	26	24	24	24
Impact Assessment – BSC SA	38	38	73	71	69
Modification Proposals	301	239	187	187	187
Other MPs, CPs & Issues Costs	5	2	5	5	5
BSC Releases	900	714	750	750	750
Strategic Development	340	225	340	340	340
Total Demand Led	1,639	1,244	1,379	1,377	1,375

While demand led costs are £135k higher than the current year forecast, they are £260k less than the 2010/11 budget. The variance and the main assumptions of the demand-led budget can be further explained as follows:-

- The trend of the number of impact assessments submitted to our BPO service provider in the past six months has seen a constant increase. This takes us into the next band within the contract, resulting in a budget for 2011/12 of £73k, an increase of £35k.
- The budget for Modification proposals includes a £150k provision for external consultancy required for potential pricing and losses Modifications that Ofgem might ask ELEXON to support. The remainder of the budget relates to the cost of any Modification group meetings.
- The budget for system releases has been set at £750k. This is £150k less than the 2010/11 budget. The current year forecast is relatively low because there was no June 2010 Release.
- As part of the new AMD service provider contract which started in April 2010, we committed to explore strategic developments which would deliver business benefits to our customers. At that time, we projected the cost for 2011/12 to be £340k, and we have maintained this as part of this budget process. We have identified a number of areas that we intend to explore further. These are shown in table 6 below.

Any developments above the £340k budgeted would therefore need to be funded from other savings in the business.

Table 6 BSC-related systems investment (strategic development)

Potential BSC Related System Investments	Projects £'000
FAA replacement (ongoing from 2010/11)	179
CRA on-line (automate processes, web interface including market entry)	320
CDCA on-line (automate processes, web interface)	181
Asynchronous Delivery on BMRA (alternative to TIBCO)	197

Contracted

Table 7 ELEXON contracted

Item	Year to March				
	2011 Budget £'000	2011 Forecast £'000	2012 Budget £'000	2013 Projection £'000	2014 Projection £'000
Central Volume Allocation (CVA)	6,980	6,958	7,117	6,728	6,552
SVAA	1,327	1,334	1,359	1,279	1,233
DTS	715	712	738	775	813
Profiling	1,109	855	335	257	182
Software Support	272	292	291	219	224
Teleswitch	79	77	81	85	90
Qualification	167	197	250	243	356
Supplier Volume Allocation (SVA)	3,669	3,467	3,054	2,858	2,898
Funds Administration Agent	1,413	1,382	1,376	1,301	1,256
Operational Audit	1,339	1,342	1,425	1,477	2,322
Technical Assurance	434	421	627	452	442
Other Contracted Costs	334	336	354	369	384
Total Contracted	14,169	13,906	13,953	13,185	13,854

Contracted expenditure is the cost of BSC Agents and contracted service providers. These are the main costs ELEXON incurs in delivering the BSC arrangements and are mainly fixed costs. ELEXON's procurement strategy seeks to deliver better terms and lower costs as contracts fall due for re-procurement. The successful re-procurement of the main Central Volume Allocation (CVA), Supplier Volume Allocation (SVA) and Funds Administration Agent (FAA) contracts (new BSC Services Agreement contract) is one good example. Where there is a contractual obligation, we have increased Contracted costs in line with relevant indices.

The budget for contracted costs shows further year-on-year savings, particularly in the BPO contract, application management, and the PrA contract. However, this year the increase in cost of the required upgrades (Unix, Oracle, MWare and Windows) of the AMD environment and the possible exit management and transition of the incumbent Technical Assurance agent more than offset the savings. This increases the overall contracted costs by £191k. The main contributing factors are:

- Standing charge and hosting fixed costs for the BPO service have fallen by £259k in line with the contract.
- The variable elements of the BPO contract have increased by some £75k, mainly driven by the higher costs of service improvements.

- Fixed costs for application management are expected to deliver savings of around £144k. However, various upgrades of the AMD environment starting in the last quarter of 2010/11 have increased the 2011/12 BSC infrastructure cost budget by £459k compared to the 2010/11 forecast. This results in a net increase of £315k in the AMD contract.
- We have achieved a significant saving of £520k in profiling. This is due to the £123k cost of the Unmetered Supply (UMS) procurement in 2010/11, and a £397k reduction for 2011/12 achieved by bringing the data analysis service in house and re-procuring the data collection service.
- £26k more is budgeted for Data Transfer Service (DTS), because we anticipate higher volume driven by demand.
- Based on the number of suppliers which are applying to enter the market and companies which want to participate in the market, the 2011/12 budget includes an uplift of some £53k to account for the increased demand for qualification services.
- The £84k increase in Operational Audit is mainly attributable to an increase in scope and an increase in the number of market participants.
- The Technical Assurance agent contract has an additional £200k provision due to re-procuring this service in 2011/12. This will allow for exit management and transition costs if we move to a new service provider. This figure is based on the set-up cost of the current contract.

Smart budget

One of our strategic priorities for next year is to develop our services and adapt our business to address industry challenges through embracing smart metering opportunities, commercialising BSC assets and addressing governance and vires issues.

Our smart budget will support the following activities:

- protecting our core settlement operations
- supporting the Smart Metering Implementation Programme
- pursuing smart roles and services that offer best value to the industry.

To enable us to deliver this strategic priority, £3m has been included for next year's budget. This will be ring fenced and we will review it periodically and return any reforecast to industry. You can find more details under Priority 4 in our Business Plan.

Administered

Administered costs relate to the redistribution of expenditure incurred by introducing BETTA. ELEXON, acting as a central agent on behalf of the industry, facilitates the collection of funds from certain groups of BSC Parties and repays them to others. These are not included in the ELEXON budget and do not appear in the ELEXON accounts as income or expenditure.

Costs of £3.71m relating to the ELEXON BETTA project were being charged to BSC Parties over five years from BETTA Go Live, allocated using Main Funding Shares. This started in September 2005 and finished in June 2010. There won't be any administered costs from 2011/12.

Comparison of 2011/12 Annual Budget with 2010/11 Annual Budget

Table 8 Comparison of 2011/12 budget with 2010/11 budget*

Item	Year to March		Difference £m	%
	2011 Budget £m	2012 Budget £m		
ELEXON Operational (Excluding Income)	16.4	17.2	(0.81)	(4.9)
Income	(0.1)	(0.1)	(0.02)	31.0
ELEXON Operational	16.3	17.1	(0.83)	(5.1)
Demand Led	1.6	1.4	0.26	15.9
Contracted	14.2	14.0	0.22	1.5
Sub Total	32.1	32.5	(0.36)	(1.1)
Smart	–	3.0	3.00	–
Overall Total	32.1	35.5	(3.36)	(10.4)

Comparison against estimate of 2010/11 outturn

Table 9 Comparison of 2011/12 budget against 2010/11 estimate*

Item	Year to March		Difference £m	%
	2011 Projection £m	2012 Budget £m		
ELEXON Operational (Excluding Income)	16.3	17.2	(1.01)	(6.3)
Income	(0.1)	(0.1)	(0.03)	32.2
ELEXON Operational	16.2	17.1	(1.04)	(6.4)
Demand Led	1.2	1.4	(0.13)	(10.8)
Contracted	13.9	14.0	(0.05)	(0.3)
Sub Total	32.5	32.5	(1.22)	(3.9)
Smart	–	3.0	(3.00)	–
Overall Total	31.3	35.5	(4.22)	(13.5)

* Unfavourable variances are in brackets.

Charging analysis

This section outlines how we expect to charge the budget to BSC Trading Parties. Table 10 contains charging proposals from Section D of the BSC. All of the charges presented in Table 10 exclude value added tax (VAT).

Table 10 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 £100 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 £0.0007/MWh.**
- **For all Base SVA BM Units a charge of £100 per month.**
- **SVA costs split:**
 - **50 per cent of costs are paid by generators on basis of metered energy volumes.**
 - **a fixed fee of £8.4 per SVA Half Hourly Metering System.**
 - **remainder allocated on Suppliers Non Half Hourly MWh market share.**
- **All remaining costs split on basis of metered energy volumes.**

* These are based on the current charges and are consistent with last year's budget. They are subject to change following a periodic review approved by the Panel. Please refer to the ELEXON website for current rates.

Based on the information in Table 10, examples of charges to BSC Parties are provided. First, the 2011/12 Annual Budget is set out in Table 11 below.

Table 11 Split of costs

Assumed Split of Costs for 1 April 2011 to 31 March 2012		£m
SVA Costs		4.5
Other Costs		31.0
Total		35.5

Second, various assumptions about the size of the market are made. These are presented in Table 12.

Table 12 Market assumptions

Market Assumptions		
Number of Trading Parties		218
Sales – Notified Contract Volumes (TWh)		990
Purchases – Notified Contract Volumes (TWh)		990
Generation (TWh)		307
Supply (TWh)		300
NHH Supply (TWh)		165
HH Supply (TWh)		130
CVA BM Units		491
SVA Base BM Units		70
SVA Additional BM Units		1
Data Line		42
Comms Software {5 users}		26
Comms Software {additional user}		0
CVA Metering Systems (MSIDs)		785
HH Supply (MSIDs)		112,000
PRS Supply (MSIDs)		29,600,000

Third, the charging regime from Section D of the BSC in Table 10 is then applied to costs in Table 11 based on the assumptions in Table 12. This gives the estimated charges (either specified charges or £/MWh fees) in Table 13.

Table 13 Expected charges

Charge Item	BSC
Specified Charges	
CVA BM Units (£/month)	100
SVA Base BM Units (£/month)	100
SVA Additional BM Units (£/month)	100
Data Line – estimated average (£/month)	700
Comms Software – average quad2 processor (£/month)	1,080
Comms Software {additional user} (£/month)	22
Contract Traded (£/MWh)	0.0007
CVA Metering Systems (£/month)	50
Base Monthly Charge (£/month)	250
SVA	
HH SVA Ops (£/msid/month)	0.70
NHH SVA Ops (£/NHH MWh)	0.008
Gen Energy SVA (£/MWh)	0.007
Main Charges	
Energy fee (£/MWh)	0.04466

Table 14 Cost recovery by item

Charge Item	BSC	
	(£m)	% of Total
Specified Charges		
CVA BM Units	0.6	1.7%
SVA Base BM Units	0.1	0.2%
SVA Additional BM Units	0.0	0.0%
Data Line	0.4	1.0%
Comms Software (total)	0.3	0.9%
Contract Traded	1.4	3.9%
CVA Metering Systems	0.5	1.3%
Membership Fee	0.7	1.8%
SVA		
HH SVA Ops (£/msid/month)	0.9	2.7%
NHH SVA Ops (£/NHH MWh)	1.3	3.7%
Gen Energy SVA (£/MWh)	2.3	6.4%
Main Charges		
Energy fee (£/MWh)	27.0	76.4%
Total	35.5	100.0%

Section D4 of the BSC permits uneven recovery of costs from BSC Trading Parties to allow ELEXON to meet its cash flow requirements. However, ELEXON does not propose to use these arrangements in the forthcoming year. Instead it will charge BSC Parties the total costs identified in the Annual Budget, split equally across the months.

