

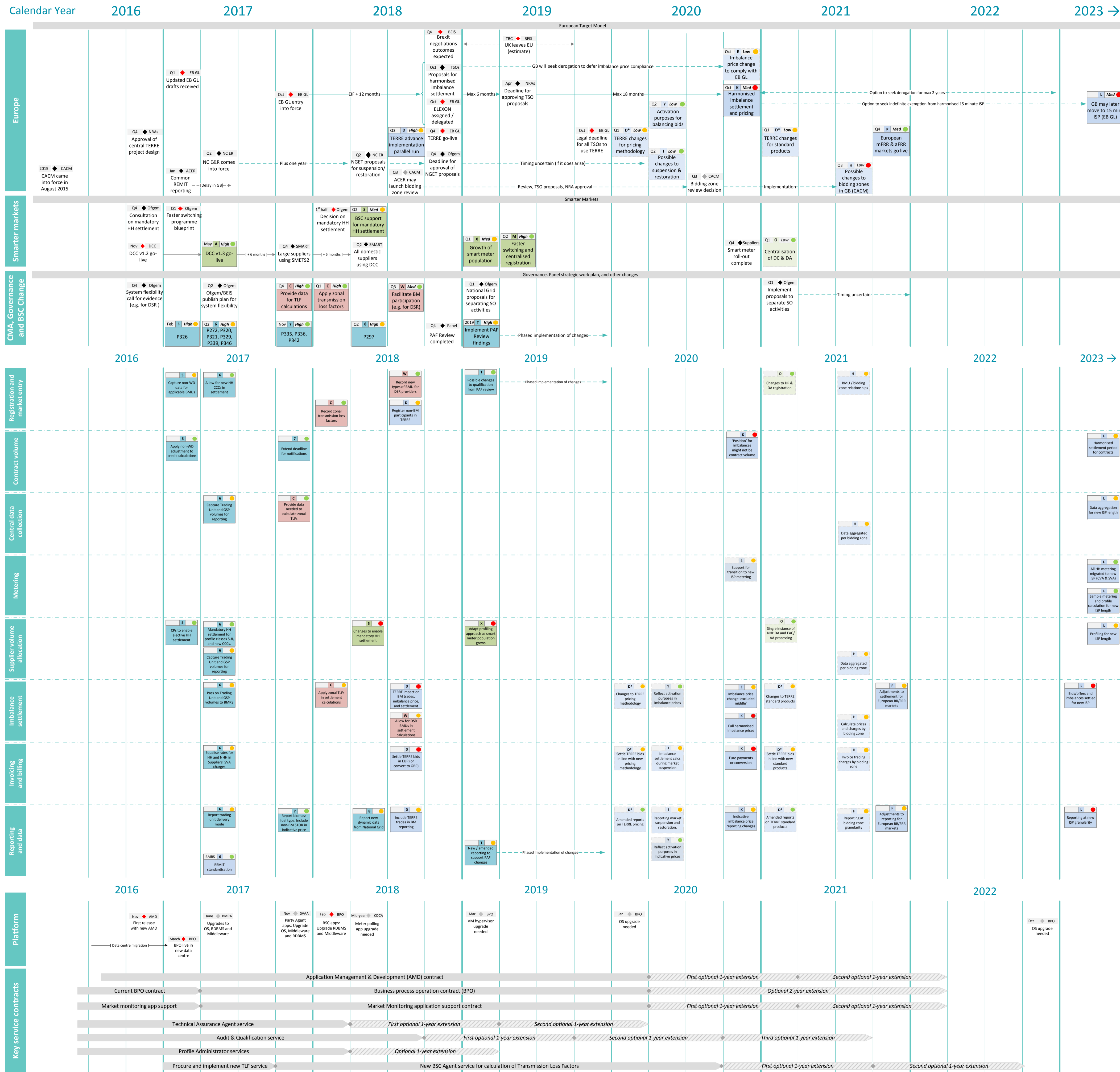
Market & industry changes

Europe
 ELEXON is keeping a close eye on the direction of the European energy market. For planning purposes it is assumed that, regardless of the UK leaving the EU, Great Britain will still wish to trade in the European energy market, and will therefore be subject to EU regulations governing that market. This assumption will be kept under review.
 To date the impacts of European harmonisation on ELEXON have been relatively small, but the first significant change is under way with the TERRE project. ELEXON is working with National Grid and the Modification P344 workgroup to plan how TERRE will integrate with balancing and settlement arrangements in Britain.
 Harmonisation of imbalance settlement arrangements (including harmonisation to a 15-minute ISP) is now expected to be required by the end of 2020. There is an option to request an exemption to the 15-minute ISP, but the draft Clean Energy Package (published November 2016) suggests that there is a limit on how long the exemption will be permitted.
 Similarly, provisions for reviewing the boundaries of bidding zones could affect GB. We estimate that the earliest potential date for implementing any changes is mid-2021. Currently we consider it unlikely that such a review will affect GB.

Smarter markets
 The rollout of Smart Meters into 2020 will lay the foundations for the incremental migration to Smarter Markets. Existing goals, such as Change of Supplier and extending HH settlement, will fit within this timetable. The nature of settlement risks will evolve, and the BSC Panel is considering how performance assurance arrangements need to change accordingly.
 Longer term initiatives such as Electricity Settlement Reform and Demand Side Flexibility will develop alongside this work, and draw on the evolving discussions around Smart Grids, which in turn might be expected to come to fruition around from the mid 2020s onwards.

CMA, Governance and BSC Change
 The BSC Panel & Panel Committee Strategic Work Programme is in progress and includes activities to improve BSC Governance.
 Market changes are delivered through Modifications to the BSC, and the pipeline of BSC change also includes proposals for improvement raised by BSC Parties.

Impacts of change on systems & associated processes



Supporting services

Europe
 The European Commission's energy market policy is driving towards greater harmonisation of electricity market arrangements across Europe. For planning purposes, we assume that as long as Britain wishes to participate in the single European electricity market, it will need to abide by the regulations, even when the UK leaves the EU. This will include an eventual move to a 15-minute ISP. In this future state, many aspects of the harmonised arrangements are supported by common European regulations, services and systems. For example, there are Europe-wide markets for balancing services, supported by common trading platforms. Some aspects of balancing and settlement services are still operated locally or regionally, and the scope of these is agreed. In particular, the BSC's role in GB arrangements, and its interfaces with European services, are clearly defined.

Smarter markets
 Virtually all consumers and businesses have smart meters, and settlement data is based on actual consumption. Smart meters enable the collection and aggregation of meter data to be streamlined, and more electricity consumers are settled on an ISP basis. There are new options for balancing energy demand, and demand-side response is more flexible. ELEXON's role in a more efficient, innovative Smarter Market is clearly understood.

CMA, Governance and BSC Change
 Code Administrators are likely to be subject to more regulatory oversight (e.g. require a licence), and may also have more powers (e.g. able to raise modifications). Code Administration is subject to competitive tendering. ELEXON is the best in class code administrator and offers a package of flexible and valuable strategic services to the industry.

KEY
 Market changes are referenced by letters. Other BSC changes are referenced by numbers.
 Probability (Low, Medium, High)
 Impact (High, Medium, Low)
 A change is implemented
 Detailed impact of a change
 31/08 1st Source 31/08 2nd Source Aug REPORT July CONSULT
 Ordinary milestone Important milestone Minor milestone A report is published A consultation is started