

# Elexon Case Study

## Situation

Elexon operates at the heart of the UK electricity industry to reconcile and settle electricity supply and demand in-balances between generators and suppliers. The total value of balances settled is approximately £1.5bn per annum.

In 2013, Elexon were appointed by the Department of Energy and Climate Change (DECC) to undertake the settlement role for the UK Government's Electricity Market Reform (EMR) which aims to secure future electricity supply and achieve carbon reduction targets. In order to perform this task, Elexon decided to outsource the building and operating of the EMR system to a new supplier. This required external procurement support and expertise in the Public Contract Regulations to run the EMR procurement programme.

## Action

Obrar's Senior Procurement Consultant, Richard Hampson, was selected by Elexon to lead all aspects of the EMR procurement which included working closely with DECC.

The main procurement challenges which this programme presented were:

- DECC's requirements (the Regulations) for the system were still being developed and would change over the procurement timeframe;
- EMR is a new concept and this was the first time that a system would be procured in the World to meet this requirement. Therefore, there were no 'off-the shelf' solutions and this would require a complex evaluation of the possible technology solutions;
- DECC's budget for the system was restricted and the requirements had grown from when the budget was set to include the Capacity Market;
- the new EMR system had to be delivered on-time to coincide with the launch of Contracts for Difference and the Capacity Market (key EMR Programmes);
- the EMR system and the associated processes had to be fully secure and robust as they were required to handle up to £7bn in annual payments by 2020.

## Results

To address these challenges, Richard developed an innovative procurement strategy for Elexon based on a design, build, host and operate model. This included the ability for DECC and Elexon to update the system requirements during the key stages of the procurement process.

For this programme Richard led the following procurement activities:

- supplier Pre-Qualification Questionnaire (PQQ) and evaluation;
- Invitation to Tender (ITT) design and production for IT, legal and audit services;
- ITT commercial and technical evaluation process by a multi-disciplinary team;
- evaluation of off-shore outsourcing support (India) including control processes;
- Best and Final Offers (BAFO) from short-listed suppliers;
- commercial and contract negotiations with the preferred supplier;
- DECC and Elexon Board presentations including regular up-date reports.

As a result of Richards' strategy, approach and hard-work, Elexon and DECC were able to successfully appoint a supplier who could deliver the system on-time with a cost saving of £1.5M over the initial budget estimates.