

By e-mail to: suchitra.hammond@ofgem.gov.uk

Suchitra Hammond

Ofgem

9 Millbank

London SW1P 3GE

10 February 2017

Ofgem Simplification Plan and Forward Work Programme 2017 to 2018 – ELEXON response

We welcome the opportunity to comment on your Simplification Plan incorporating the Ofgem Forward Work Programme (FWP).

As you are aware, ELEXON is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC. In addition we provide key resources in support of Ofgem's project work, such as for Half Hourly Settlement and, as you reference in section 2.7 of the FWP, we are working together to monitor Suppliers' compliance against meeting their obligations to install half hourly metering for non-domestic customers.

ELEXON has the following observations on two of your five Key Initiatives in your Forward Work Programme:

Initiative 2 - Facilitating the energy transition

ELEXON fully welcomes the intention for Ofgem to set a Strategic Direction for industry change. We believe this sits at the heart of achieving transformational change and it is therefore imperative that clear direction is provided as soon as possible to focus resources and investment across stakeholders.

There is already a significant amount of industry change planned for the next few years, particularly in the electricity sector, and it is important that stakeholders are clear on where the government and regulator expects resources and effort to be prioritised to maximise benefits for consumers. We would suggest that the Strategic Direction be set immediately after Ofgem and BEIS has evaluated their joint call for evidence. ELEXON's observations on the joint call for evidence can be found here:

[ELEXON response to smart flexible market joint call for evidence](#)

We would also highlight that, in considering how the Strategic Direction is set, Ofgem needs to align its proposals with:

- BEIS's priorities through its Industrial Strategy proposals;
- OLEV's considerations for what the Transport Bill needs to contain to assist in establishing infrastructure and arrangements to facilitate low emission (notably electric) vehicles; and [ELEXON response to OLEV consultation](#)
- The National Infrastructure Commission's work on 'The Impact of Technological Change on Future Infrastructure Supply and Demand'.

These proposals must be aligned to limit competing requirements on energy stakeholders.

We note the proposals for establishing a consultative board and ELEXON has commented at length in our response to Ofgem's consultation for Code Governance Reform on these and the wider code reform proposals. The scope of the consultative board should be defined alongside how it interacts

with existing industry governance (e.g. Code Panels and Code Managers), the Energy Innovation Board and the newly separated System Operator (we note that Ofgem's consultation on the SO proposals describe its objectives in terms of 'leading' and 'facilitating' market changes that will deliver smarter, flexible markets). Our observations on how Ofgem can improve the current code arrangements and thoughts on the consultative board can be found here:

[ELEXON response to Ofgem's Code Governance Reform proposals](#)

ELEXON has recently published a cross code [Forward Work Plan](#) which we believe will be an important tool in helping understand the current industry priorities and change timetable. This has been extremely well received by industry stakeholders and is already being used to drive and help co-ordinate the many changes required to implement European Network Codes in the GB framework.

Initiative 5 - Becoming an authoritative source of quality analysis

Data receipt, processing and reporting: Ofgem receives and processes a large volume of data from stakeholders, through its regulatory and E-serve functions. BEIS (formerly DECC) also receives and publishes a significant amount of data. It may assist Ofgem in trying to simplify its own processes to map who receives what data, where the data is obtained from and what purpose it is used for (and consult with stakeholders as to how they use that data). Ofgem could then determine where data is being replicated and who is best placed to undertake data processing and evaluation. ELEXON processes a lot of electricity data through BMRS and we would like to understand how our data could assist Ofgem in its work. We are exploring how we can provide greater insight to data we publish.

Impact Assessment: Industry change processes are (or should be) accompanied by consultation and impact assessment. From time to time this requires detailed cost benefit analysis. In the past Ofgem has sometimes repeated (or had to undertake) Impact Assessment for industry changes that have already been through a formal change process. This is inefficient and costly. As part of its work on improving industry change and code reform, Ofgem should ensure its requirements for assessment are captured and fed into working groups and there should be an expectation that Code Panels and Code Managers undertake analysis. Code Managers must be independent and impartial to add weight to any analysis they produce. It should not be assumed that Ofgem always should or must be the sole provider of analysis, other stakeholders, if empowered, can provide analysis. For example when the proposals for moving to 15 minute settlement were introduced ELEXON collaborated with National Grid and Energy UK to co-ordinate a GB response and cost benefit analysis.

Infographics: We would commend Ofgem on its recent move towards the use of simple infographics to explain how the markets are designed and costs allocated.

The views expressed in this response are those of ELEXON Ltd, and do not seek to represent those of the BSC Panel or Parties to the BSC.

If you would like to discuss any areas of our response, please contact David Jones, Head of Strategy, on 020 7380 4213, or by e-mail at david.jones@elxon.co.uk.

Yours sincerely,

Mark Bygraves
CEO, ELEXON