

ELEXON

04 March 2022

Dear Rachel,

RE: 2022/23 Forward Work Programme Consultation

Thank you for the opportunity to respond to your consultation on Ofgem's 2022/23 Forward Work Programme.

About Elexon

Elexon is the Code Manager for the Balancing and Settlement Code (BSC), which facilitates the effective operation of the electricity market. We are responsible for managing and delivering the end-to-end services set out in the BSC and the accompanying systems that support it. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties which include suppliers, generators and network companies.

At Elexon, we manage not just the assessment, but also the development, implementation and operation of changes to central systems and processes. In addition, our expertise is available to support the industry, government and Ofgem in considering future changes to the existing industry rules for the benefit of the consumer.

Through our subsidiary, EMR Settlement Ltd, we calculate, collect and distribute payments to Contract for Difference (CfD) generators and Capacity Market (CM) providers, on behalf of the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company (ESC). These services are provided to LCCC and ESC through a contract and operate on a not-for-profit basis.

We have limited our response to areas where we feel we can add value. If you would like to discuss any areas of our response, please contact Mahamid Ahmed, Strategy & External Affairs Manager (Mahamid.ahmed@elexon.co.uk) or Kyle Barnard, Strategy & External Affairs Analyst (Kyle.Barnard@elexon.co.uk).

Yours sincerely,

Angela Love

Angela Love,
Future Markets and Engagement

Consultation Response

At Elexon we are concerned by the volatility in the electricity and energy sector at present. We therefore appreciate the opportunity to understand Ofgem's Forward Work Programme and what Ofgem's focus might mean for Elexon. In this regard. Alongside providing our key services, our aim remains to deliver value for money to our stakeholders and facilitate positive industry change.

It is noted that compared with previous years' Forward Work Programme Consultations, no visual elements were included. We encourage Ofgem to include timelines and diagrams in future work programmes as aid to readability. Timelines for future work would also give stakeholders a benefit when planning their work and activities for the year, to ensure that they can full support the review of regulatory change in the energy industry.

Elexon has the following observations on **four of the ten points** in your Forward Work Programme for 2022/23:

Point 2: Future of Retail

We are supportive of Ofgem's measures to "ensure consumers are protected and a supply market remains viable on the path to net zero". Ofgem has a positive role to play through activities such as Financial Resilience and Controls and the Future Retail Market strategy.

We support Ofgem's efforts to bolster supplier financial resilience. At Elexon, we are reviewing our credit cover arrangements and we look forward to the outcome of Ofgem's financial resilience pathfinder.

Elexon has made a concerted effort to support suppliers wherever possible and we scored highly in both the Ofgem Code Administrators' Performance Survey (76% overall satisfaction rating) and our own, independent customer survey (69% overall satisfaction scoring 8-10 out of 10) in that regard. We look forward to continuing to support the companies and would be happy to discuss with Ofgem if there are further ways for us to do that.

Point 5: Full Chain Flexibility

Elexon shares Ofgem's view that a smart and flexible energy system is essential, not only to reduce the cost of energy, but also to reach net zero. We are pleased that this continues to be a focus for Ofgem.

Elexon is supporting full chain flexibility in the energy system through several modifications to the BSC; these include:

- P375 and P376 will enable smaller assets, such as electric vehicle (EV) batteries via Vehicle-to-Grid (V2G), smart grids, storage and community energy to provide balancing services to the grid.
- P430 builds on the work of P375 and allows suppliers to integrate this into their business through increased data flows through behind-the-boundary asset metering systems.
- P415, if approved by Ofgem, will allow greater provision of demand-side response (DSR) services which help to lower demand during peak times. This will be through enabling the participation of "Virtual Lead Parties (VLPs)" in the GB wholesale market, offering services such as aggregated flexibility.

As the SRO for MHHS, Elexon is ensuring that this programme enables full chain flexibility on the energy system, through for example entailing in the design the alignment of metering systems that enables cost-effective flexibility. Again we would welcome a discussion with Ofgem on anything further that Elexon could do to support

this objective, in particular around Distribution System Operator.

Point 6: Data and Digitalisation

As outlined in our most recent business plan, we believe access to open and granular data on the energy market is essential. From a wholesale market perspective our Insights Solution will continue to make more BSC data available to more organisations in the coming years and at no charge. We are also proud of our involvement in the Energy Digitisation Taskforce (EDiT), of which Ofgem are a key stakeholder.

We have also recently published a report on accurately tracking carbon in the electricity system, alongside Energy Systems Catapult, to show the benefits of using the model of Elexon's systems and processes on electricity metering and monitoring to track carbon at granular levels (half-hourly) on the electricity system. We look forward to further work with Ofgem on delivering more granular tracking of carbon on the system, to assist the industry in achieving net zero by 2050.

As stated in the introduction to our response, Elexon has been appointed by Ofgem as the MHHS Programme Manager. Market-wide Half Hourly Settlement is set to massively increase the amount of data available and Elexon are working to ensure both MHHS and its integration into the BSC (Helix Programme) are a success. In addition, Elexon is being considered by Ofgem as a potential operator of the Event Driven Architecture (EDA).

Through our new Kinnect platform we have been working to digitise our systems for the benefit of our customers (and ultimately consumers); already, tasks that used to take days can now be completed in minutes. We are proving through our investment in Kinnect that we support Ofgem's focus on consumer benefits through data and digitisation.

Point 7: Energy Systems Governance

Elexon supports Ofgem's focus on Code Governance Reform, FSO Reforms and RIIO-2 DSO Governance as the three key building blocks to transform energy governance for the benefit of consumers and delivering Net Zero.

On the Code Governance Reform, as highlighted in our response to the consultation in September 2021, Elexon has long been a supporter of consolidation and simplification of the Codes and believes that, ultimately, this will be important in delivering the strategic aims of the industry and in particular in achieving Net Zero. However, Elexon does not support tendering for Code services and believes that this represents an unnecessary risk to establishing arrangements, by, for example delaying the consolidation and simplification agenda.

On the FSO Reforms, as highlighted in our response to this consultation in September 2021, Elexon is supportive of the proposal for an independent FSO. Whilst we do not have a preferred form of ownership of the FSO, we believe the FSO should maintain independence from industry and government. In addition, the FSO should be an accountable arm-length's body with a board.

Elexon keenly awaits Ofgem's views on the future of DSO governance in the RIIO 2 electricity distribution price control, including its assessment of alternative models and implementation pathways. And we look forward to assisting in any way we can in bringing about the transition to DSO.