

23 April 2024

By e-mail to:

Dear Code Governance Reform Team,

Re: Implementation of the Energy Code Reform

Thank you for the opportunity to respond to this consultation.

Elexon is the Code Manager for the Balancing and Settlement Code (BSC), one of the major codes which sets out the rules for electricity balancing and settlement, so that Great Britain's energy market operates effectively.

We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties (energy Suppliers, Generators, Flexibility Service Providers and Network Companies across GB).

Elexon manages not just the assessment, but also the development, implementation and operation of changes to central systems and processes. For over 20 years, Elexon has played a leadership role in facilitating changes in market rules to open new markets to a greater number of participants. In addition, we offer our expertise to convene industry, Government and Ofgem in considering future changes and innovation against the existing industry rules, for the benefit of the consumer and broader society.

Elexon provides governance, settlement and data platforms (Elexon Kinnect) that enable the smooth operation of the wholesale electricity market.

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). These services are provided to LCCC through a contract and on a not-for-profit basis. EMR Settlement Ltd is also the Nuclear Regulated Asset Base Model Revenue Collection agent for LCCC.

We are also appointed by Ofgem as the Senior Responsible Owner (SRO) to deliver the Market-wide Half Hourly Settlement (MHHS) Programme, and Elexon has been appointed as the Implementation Manager for the Data Integration Platform (DIP) which is a data repository that will be used to share half hourly consumption information from consumers' smart meters with Elexon, once MHHS is implemented in October 2025.

As of April 2024, Elexon will also administer a new scheme for around 340 industry intensive industries (EIIs) in Great Britain to compensate them for the cost of network charges on their electricity bills (Network charge discount for Energy Intensive Industries). The scheme is one of three measures that have been introduced under the Government's British Industry Supercharger (BIS) scheme to help energy intensive industries to be more competitive.

As a neutral, reliable, not-for-profit market expert, we continuously look to evolve and innovate for the benefit of our customers and end consumers.

Below we provide a summary of the key points in our response to this consultation and follow those up in detail in our answers to your questions, which we believe are relevant for Elexon.

The views expressed in this response are those of Elexon Limited, 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 Marta Milan, Senior Advisor by email marta.milan@elexon.co.uk.

Yours sincerely,

Peter Stanley
Chief Executive Officer
Elexon

Executive Summary

Elexon is committed to working and collaborating with all stakeholders to enable the Energy Code Reform to create an agile, forward-looking governance framework for the BSC and other Codes. Elexon supports Ofgem's objectives of reducing code fragmentation and the complexity of the codes landscape, which can have the effect of creating barriers to competition, innovation, and market access. We believe that the proposed rationalisation of the Codes will be important in delivering the Government and industry's ambitions, and in particular achieving Net Zero.

Below we summarise our views on the key aspects of Ofgem's proposals.

We note that the response to this consultation should be read in conjunction with our May 2024 response to the joint Ofgem/DESNZ [Energy Code Reform Consultation on Code Manager Licensing and Secondary Legislation](#),

Code consolidation

- Elexon is supportive of the approach proposed by Ofgem to progress the Energy Code Reform through code consolidation. The Codes are rulebooks for the industry and, collectively, we need to make them simpler for the benefits of the stakeholders and ultimately consumers.
- Elexon supports the consolidation design principles identified by Ofgem in the 2022 Call for Input. We believe that facilitating the delivery of strategic change and enabling the codes to be agile and adaptable to future market arrangements (2nd Design Principle) should be a key objective of the reform, and the future licence framework should be informed by this principle.
- Elexon supports Ofgem's view that the BSC, REC, and SEC should remain as standalone codes and welcomes a phased implementation of the code manager and Ofgem's intention to include the BSC within the Phase 1 in terms of implementation.
- For the gas sector, Elexon sees merits of consolidating the UNC and IGT UNC to form a unified gas network code.
- Elexon also supports the creation of commercial and technical codes as proposed by Ofgem based on the impact assessment.
- We agree with the Ofgem proposal of allowing code managers to take on responsibilities for more than one code. This could make governance more consistent and coordinated and could in time lead to consolidation of the codes themselves (or their relevant sections or provisions).
- However, while we support code consolidation, we also note that "merging" one or more codes might not necessarily solve all the issues outlined in the consultation.
- Elexon believes that the main objective of the reform should be not only to simplify and rationalise, but also to ensure that the new arrangements are future enabled and adaptable to the changes that will affect the sector in the coming years. For this reason, Elexon believes that the new arrangements should be based on the principles of proportionality, adequacy and adaptability, ensuring that code managers can evolve their role and the scope of their activities to support the energy transition.
- We support the change as far as it helps improving processes and practices, but we also believe in the importance of retaining best practices and processes which are proven to be working very well for the benefits of the stakeholders and the industry.

Strategic Direction

- Elexon believes it is necessary to give greater clarity on what the expectations are from Ofgem and the Government in relation to the Strategic Direction Statement (SDS) for the first year/period in which the code manager licence is not yet in place.
- Both stakeholders and code managers will have to familiarise themselves with new governance arrangements. It would be appropriate for Ofgem and the Government to clarify the role of Strategic Direction in this initial transition phase to guarantee clarity on roles and responsibilities.
- We support the identified need to increase resources to support the new arrangements and the code reform implementation (par.4.4). Given the amount of work that needs to progress and be completed in the forthcoming months, it is vital that both the Government and the Regulator have appropriate resources to ensure the engagement with the industry and the code managers going forward.

- The Strategic Direction should be a tool aimed at providing greater clarity to industry and code managers regarding the Regulator and Government's expectations. For this reason, we believe it is important that this tool could also be used to enable/legitimise new functions to be undertaken by code managers in compliance with the objectives and the code manager licence.
- Elexon believes that it would be appropriate that the Strategic Direction should not be excessively prescriptive but leaves adequate margins of flexibility to allow the code managers and stakeholders to identify together the best practical solutions to achieve the objectives defined in the SDS.
- The Strategic Direction must be exercised based on the principles of proportionality and adequacy, avoiding 'micro-management' and prescriptive requirements.

Code governance arrangements

- Elexon agrees that industry stakeholders need to retain a vital role in the code processes.
- In our view the new Stakeholder Advisory Forums (SAFs) will have to build on and combine the best practices from the existing Panels and their operations, to start delivering value quickly.
- Elexon looks forward to more detail on the remit of the SAF in future consultation. As described, the SAF role in the decision-making and appeal process is not clear.
- It is also important to discuss and clarify the future role of Panel sub-committees, such as the Performance Assurance Board (PAB) and the Credit Committee in the BSC.
- We believe that it is of utmost importance for code managers to retain access to vital industry expertise when developing modifications and changes to system.
- Elexon believes that it is necessary to define different options and solutions to define roles, responsibilities, and processes.
- Elexon welcomes taking Ofgem through our proposed thinking on how new governance arrangements and decision-making process could work, the degree of autonomy needed to deliver change at pace, and the implications of different options.
- Elexon remains committed to working closely alongside the forum/groups to obtain the most appropriate outcomes and solutions in the interests of the system and parties/consumers.

Transition approach

- Elexon supports the objective to deliver the transition to the new governance regime as quickly and effectively as possible, while also minimising disruption to the ongoing suite of modifications and changes.
- Elexon is always available to support Ofgem and the Government and stakeholders in the dissemination of best practices and in the search for efficient solutions that guarantee rapid implementation and which, at the same time, create certainty for new markets entrants.
- We understand the reasons for Ofgem's proposal to include BSC and REC in the first phase, and we support Ofgem's intention.
- However, we note that the Codes in the first wave should not be disadvantaged in any way. On the contrary, in view of the element of novelty, we hope that flexibility will be ensured in the first implementation phase of the reform and that best practices and processes that work, for which the BSC is considered one of the best codes, can be preserved.
- Moreover, we note that in progressing phase 2 there may be some new thinking or developments that could apply equally to all codes. It is therefore important that these learnings from the phase 1 and phase 2 can be extended equally and fairly across all codes in later stages, where applicable.

Consultation on code manager licensing and secondary legislation

- Elexon will respond to the joint Ofgem/DESNZ Energy Consultation on Code Manager Licensing and Secondary Legislation but anticipates here that the new licence framework should not become an unwieldy, prescriptive and rigid framework.
- We believe that it is critically important to develop a proportionate, light-touch, outcome-based licensing regime and that licences do not duplicate or overlap with the general law, provisions detailed under existing codes or existing good governance.
- In addition, consideration must be carefully given to not creating a disproportionate compliance burden, which will drive increased costs into the system.
- Finally, the question of enforcement and levying of penalties against not-for-profit entities funded by industry will need careful consideration.

Section 2

Q1. Do you agree that we should recommend to the Secretary of State that the 11 industry codes listed (including the SQSS) should be designated as “qualifying documents” for the purposes of using our transitional powers in the Energy Act 2023 to deliver energy code reform?

Elxon agrees with Ofgem’s proposal to recommend that the eleven industry codes listed in the consultation should be designated as “qualifying documents” for the purposes of using Ofgem transitional powers in the Energy Act 2023 to deliver the Energy Code Reform.

These codes are multilateral binding contracts in nature that prescribe rules for market participants’ actions and behaviours to ensure fair, reliable and safe operation of the energy system. Their rationalisation is appropriate to avoid unnecessary access barriers and simplify the processes and changes needed for a smooth transition towards to a more flexible, data enabled energy system capable of meeting the Net Zero ambition.

Q2. Do you agree that we should recommend to the Secretary of State that the 5 central systems listed (including the Central Switching Service) should be designated as “qualifying central systems” for the purposes of using our transitional powers in the Energy Act 2023 to deliver energy code reform?

Elxon agrees that the 5 central systems listed should be designated as a “qualifying document” in line with our responses to previous consultations. We note that this is consistent with the end-to-end business model that has operated well under the BSC for over two decades.

Section 3

Q3. Do you agree with the monetised costs and benefits set out in the accompanying draft impact assessment (i.e. the quantitative analysis)? Please specify if you think there is any further evidence that we should consider.

Elxon believes that code consolidation is appropriate and beneficial if it ultimately results in the reduction of potential barriers to participants and the simplification of market technical and commercial rules. As highlighted in previous consultation responses, we believe in the importance of conducting a cost-benefit analysis to inform decisions related to code consolidation and therefore we appreciate the analysis carried out by Ofgem as the evidence to base its decision.

However, regarding the evaluation of the merits, it remains unclear whether and to what extent the benefits will be realised through the proposed course of actions set out in the consultation document. Elxon believes that the Reform should not amplify costs for the industry and deliver value through existing asset where possible.

Q4. Do you agree with the hard-to-monetise costs and benefits set out in the draft impact assessment (i.e. the qualitative analysis)? Please specify if you think there is any further evidence that we should consider.

Yes, Elxon agrees.

Q5. Do you agree with our preferred option to consolidate the CUSC and DCUSA to form a unified electricity commercial code?

Elxon supports this consolidation option. Elxon agrees with Cornwall Insights’ analysis according to which this is one of the least disruptive measures to implement, while offering

advantages from a more streamlined code regime. Elexon believes that the energy reform must be carried out in compliance with a principle of proportionality, according to which the intervention is appropriate where the benefits for stakeholders and the system are greater than the costs.

On a general level we support this consolidation. However, the lack of details on how the new rules and governance arrangements will be developed and implemented in practice does not currently allow Elexon to carry out a more detailed assessment of the merits of achieving the objectives of the reform. A more detailed evaluation will be possible in the subsequent phases of the reform.

Elexon supports Ofgem's proposal to establish a common contractual framework for each consolidated code and deliver targeted rationalisation and simplification to ensure coordination and consistency across codes.

Q6. Do you agree with our preferred option to consolidate the Grid Code, STC, SQSS and Distribution Code to form a unified electricity technical code?

Yes, in principle Elexon supports this consolidation option. However, we propose that a more detailed assessment of the benefits is needed to form a firmer opinion.

Q7. Do you agree with our preferred option to consolidate the UNC and IGT UNC to form a new unified gas network code?

Yes, Elexon supports this consolidation option to form a unified gas network code as we agree with Ofgem that these codes are already very similar in structure and content, with changes in the UNC often requiring a mirror or consequential change to the IGT UNC.

Consequently, this consolidation option appears as one of the least disruptive to implement, while offering advantages from a more streamlined code regime reducing fragmentation and costs for stakeholders and the system.

Q8. Do you agree with our proposal to rationalise the identified code provisions as part of any consolidation exercise?

Yes, Elexon agrees with the proposal to rationalise these set of provisions.

Section 4

Q9. Do you agree with our proposal to publish the first SDS for all codes next year (before code managers are in place)?

Yes, Elexon agrees. We see benefits in setting a Strategic Direction ahead of code manager appointments as this will help support industry participants in addressing strategic priorities under existing governance, as well as giving potential code managers an understanding of expectations following their appointment.

However, Elexon believes that greater clarity would be appropriate on what the expectations are from Ofgem and the Government for the first year/period in which the code manager license is not yet in place. As stakeholders and code managers will have to familiarise themselves with new governance arrangements (and for this reason it would be important to get a rounded picture of what the SDS means in practice as soon as possible). It would be also appropriate to achieve clarity on roles and responsibilities to clarify the role of the Strategic Direction in this initial transition phase.

Q10. Do you have views on the proposed SDS process?

Elexon supports the intention for the SDS to cover a 5-year time frame.

Compared to the original proposal to refer to 1/2 years, we believe that 5 years represents an appropriate period for defining strategic objectives and related implementation actions and to ensure industry and code managers can plan their activities, resources and any commercial considerations to support strategic change. This will give a good grounding for the code managers to determine their expected costs and signal these to the companies who fund the arrangements and interface with the systems which facilitate market operation.

With reference to the level of detail of the prescription, we agree with Ofgem that these must be of a high level, and Directions should be limited to a strategic level and not descend into micro-management. They should be implemented in compliance with general principles of proportionality and adequacy, leaving the code manager and the industry to decide collectively and through working groups and consultations the best tools to achieve the objectives set by the Government and the Regulator.

It would also be appropriate to have clarity in the role of NESO in determining the SDS. The consultation currently refers to "*any given advice given by FSO in relation to the FSF*". It is not clear whether the FSO's contribution occurs only if it expressly presents recommendations and is therefore an integral part of the FSF's formation process, or whether this step is only potential. It is also not clear what weight this advice has in the overall evaluation.

In general, Elexon believes that the SDS formation process as outlined in the consultation follows logical and comprehensive phases, which involve the engagement with stakeholders both before and after the formal consultation. However, these phases now are defined at a general level, without many details in relation to the weight and methods of involvement of code managers and NESO in the process. We imagine that further details will be published in the next consultation phase.

Elexon supports the idea that the panels of experts who are currently operational and who represent a particular industry segment must be actively involved. These panels are composed of experts who have an in-depth knowledge of the codes and knowledge of various technical and legal subjects and who, therefore, can provide relevant inputs, especially in relation to the feasibility of implementing certain reforms.

For the transition phase, we believe there needs to be a mechanism that could be used to guide the code managers and the industry during the initial Strategy and Policy Statement (SPS) and Strategic Direction development phase. There also needs to be clarity on what the process will be if any unexpected delays occur during their development and publications (e.g. General Elections, change in Cabinet, change in DESNZ Ministers). Timely releases of the SPS and Strategic Direction will become of utmost importance for the industry. The industry is already working on many strategic initiatives and therefore the SPS and Strategic Direction would need to take account of these in considering priorities and determining what criteria are used to decide on the priorities.

With regards to the delivery and code manager delivery plans, Ofgem expect that the implementation of code manager delivery plans will be monitored, with code managers reporting on progress and that this annual reporting and monitoring will inform the development of the subsequent SDS. We understand Ofgem's reasons for introducing those new reporting and monitoring requirements, however, we note that new reporting obligations are likely to translate into a cost in terms of resources and time. This additional cost must be considered in the cost-benefit analysis on which we believe the Regulator and the Government should base their decisions. Since the ultimate objective of the reform is simplification, it is important to ensure that new processes are efficient and represent value for money for the industry.

Elexon already publishes its Business Plan and Budget outlining the scope of activities and programmes it will work on and deliver every year. Elexon then engages with and seeks comments from industry and interested parties. Prior to this the BSC Panel, including the Ofgem and customer representatives, can input their views to Elexon's Business Plan and Budget. We also publish an Annual BSC Report every year which is a backwards looking review of how we have delivered the BSC over the previous year. The new periodic reporting on the progress should be designed not to be overly burdensome and should not come at the expense of delivering the required changes.

Lastly, codes managers should be empowered and adequately resourced to deliver code changes to the agreed timelines. We also believe that the Energy Code Reform needs to guarantee adequate margins of flexibility to ensure the possibility for code managers to broaden their area of expertise when necessary and for the benefit of the system.

The Strategic Direction should be a tool aimed at providing greater clarity to industry and code managers regarding the Regulator and Government's expectations. For this reason, we believe it is important that this tool could be used to enable and legitimate new functions to be undertaken by code managers in compliance with their objectives and the code manager license.

Q11. Do you agree with our proposal that a principles-based standard condition for gas and electricity licensees would support the development and delivery of code modifications related to the SDS?

Elxon agrees with this approach. A principle based standard condition for all gas and electricity licensees gives far more flexibility and allows the code managers achieve the required aims in the most practical and pragmatic manner.

Section 5

Q12. Do you agree with our preferred option for how a Stakeholder Advisory Forum should be constituted?

Yes, we agree. Option 3 (fixed/impartial membership) is similar in principle to the BSC panel arrangements and as highlighted in previous consultations this model has worked very well and is recognised by industry and a wide range of stakeholders as an effective and inclusive model.

The BSC Panel draws enormous value from the expertise of its diverse participants, including independent representatives not affiliated to a particular Trading Party and Citizens Advice representatives, and we are therefore confident that the existing arrangements can also work well for other codes and become a reference model.

We agree that a fixed membership would allow for better institutional memory and expertise, as well as ensuring consistent representation and, at the same time, the inclusion of impartial industry representatives and independent members should deliver a valuable and respected source of advice, informing the recommendations and decisions of the code manager.

We note that it is not clear if code managers will be able to establish more than one SAF and their role in decision-making. We also believe that it needs to be clear how that engagement will be encouraged (e.g. if the industry input is lacking and the industry is not engaged in the Stakeholder Advisory Forum).

Moreover, in the future consultations, we believe it would be appropriate to have more clarity on how the role of the SAF will impact the current Panel sub-committees, such as the Performance Assurance Board (PAB) and the Credit Committee in the BSC.

Elxon believes that it is necessary to define different options and solutions to define roles, responsibilities, and processes.

Elxon welcomes taking Ofgem through our proposed thinking on how new governance arrangements and decision-making process could work, the degree of autonomy needed to deliver change at pace, and the implications of different options.

With regards to potential arrangements for independent SAF chairs, Elxon sees merits in having an independent chair, who needs to be chosen by the SAF itself. However, the SAF Chair role shouldn't be excluded from that of the code manager Chair; the fact that the BSC Panel has gone down this route is because the Panel has felt that this arrangement is very efficient and effective, and that any conflicts can be dealt with where they arise. Panel members have recognised the value in having a Chair with industry experience and believe this would also apply to the SAF Chair role.

We also note that the BSC in its current guise does anticipate and allow for separation of the BSC and BSCCo Chair roles.

It will be worth considering how the current electoral/appointment processes will cut over to appointments in the SAFs and more clarity of how the SAF members will be chosen in future consultations would be appreciated.

Elexon will progress the 2024 Panel elections in line with the current process but give some thoughts as to how future Panel and SAF appointments might be made, factoring in Code Reform implementation timescales.

Q13. What are your views on i) a requirement to assess the greenhouse gas impact of code modifications with updated guidance, or, ii) introducing a 'net zero' code objective?

With regards to other changes that could be implemented ahead of a code manager being appointed (Code modification processes and code objectives) we note that the current consultation refers to these possible changes in generic terms without giving indications regarding future processes.

We believe that in subsequent phases these issues will be analysed and consulted in greater detail. Due to the limited information currently available, Elexon would like to state that we are in favour of updating of the BSC objectives.

In fact, we believe that the Energy Code Reform should be an opportunity to make the BSC code future-ready and adequately adaptable and flexible to the changes that the evolution of regulation and markets will require of Elexon as code manager. At Elexon, we prioritise enabling innovation within the industry, and facilitating the changes needed in the energy industry to achieve Net Zero.

Historically, Elexon has approved and progressed several BSC Modifications¹ and activities, which facilitate Net Zero in the short term, medium term and long term, but the scope of these Modifications has been limited by the extent to which the proposals facilitate the existing Applicable BSC Objectives. Therefore, we believe that the definition of new objectives, including an explicit reference to Net Zero, would allow a broader scope of BSC Modifications to be progressed and is therefore the right direction to take.

With regards to a potential alignment of objectives across the different Codes, we see some merit in simplifying and improving how code modification proposals are raised and assessed, particularly where there are cross-code impacts. However, we also note that different codes define different arrangements (e.g., commercial, technical aspects) and/or stakeholders and that, therefore, a full alignment may only be possible for a limited set of objectives, while others should be specific to the different codes to make them relevant for their intended purposes.

On the requirement to assess the greenhouse gas (GHG) impact of code modifications with updated guidance, we note that an updated guidance would be appropriate as existing

For instance, we can mention Wider Access (P344) and Metering Behind the Boundary Point (P375)

Wider Access refers to opening the Balancing Mechanism to independent aggregators – also known as Virtual Lead Parties (VLPs). VLP's can help consumers and other market participants to provide more demand-side-response (DSR). This is an important development on the road to a smarter, greener and more flexible electricity system.

P375 was raised by Flexitricity – a DSR provider and a Virtual Lead Party (VLP). This Modification will enable the activity of smaller asset owners to be recognised through the use of individual 'asset meters'. The issue was that there currently is limited visibility because the BSC only recognises flows of electricity to and from the 'boundary meters'. This will make it easier for low carbon asset owners to offer their services.

requirements are not fit for purpose. We recommend that any changes to them would need to ensure they are pragmatic, feasible, and proportionate to ensure value for money for the industry. While we support the introduction of a Net Zero objective, Exelon believes that a reflection should be made on the appropriateness of introducing obligations to report the impact in terms of GHG. To make these evaluations truly meaningful, a very complex valuation that considers different counterfactual and dependencies would require to be carried out, which in turn would mean the need for code managers to employ new resources, and the related increase in costs for the parties.

Q14. Do you agree with our proposal to extend and harmonise the ability of code panels to prioritise the assessment of code modification proposals?

Yes, Exelon agrees with the principle of prioritisation and that code managers should prioritise code modification in line with the Strategic Direction.

We note that the new SDS will give code managers a list of priorities and objectives that will help and direct the code managers in implementing the prioritisation exercise. However, we also note that the BSC already has effective processes for nominating and progressing Urgent Modifications and prioritising change processes. As already outlined, we support the change as far as it helps improving processes and practices, but we also believe in the importance of retaining best practices and processes which is proved are working very well for the benefits of the stakeholders and the industry.

Section 6

Q15. Do you agree with our proposal to adopt a phased approach to transitioning codes to the new governance model?

Yes, Exelon agrees. We support the objective to deliver the transition to the new governance regime as quickly and effectively as possible, while also minimising disruption to the work of the codes. As the transition process is likely to be more complex for some codes than others, therefore requiring more time and resource, the phased approach appears to be the best option as it will avoid overloading Ofgem, DESNZ, the Code Bodies and the Parties and allows for work to be undertaken concurrently while reducing the overall complexity of the approach and ensuring that it does not become overly burdensome to industry stakeholders.

Exelon believes that more consideration should be given to issues that affect all Codes and therefore represent critical paths to the overall programme. For instance, as it is likely that all Code Bodies want to be involved in the early movers' licence drafting, we wonder whether it is realistic to develop a licence condition for the first Codes and then adapt it for the later ones to eventually have the same licence conditions that applies to all Code managers. On this point, we note that phase 1 may need to be updated based on further thinking for phase 2, and that lesson learnt should be internalized in the review.

Lastly, it would be also beneficial if Ofgem shares more details on the timelines for the different phases of the reform.

Q16. Do you identify any strategic or operational considerations that might inform the transition sequence?

At the time of responding to this consultation, major changes are taking place in the energy system at the global and national levels.

At national level, the review of electricity market arrangements (REMA) is still undergoing, with several options that are still being consulted on. The reform has the potential to transform Britain's electricity market design. Market-wide Half Hourly Settlement (MHHS), and the establishment of the National Future System Operator (NESO) are other strategic reforms that will have an impact on the role of several parties, key stakeholders and, ultimately, energy consumers.

Considering these potential profound transformations taking place, it is even more necessary that Energy Code Reform introduces new arrangements that are simple to adapt to potential future changes in market design.

As already pointed out, we believe that the main objective of the reform should be not only to simplify and rationalise, but also to ensure that the new arrangements are future ready and adaptable to the changes that will affect the sector in the coming years. For this reason, Elexon believes that the reform should be based on the principles of proportionality, adequacy and adaptability, ensuring that code managers can evolve their role and the scope of their activities to support the energy transition.

We believe that potential for delays arising from a 2024 General Election should also be factored by Ofgem in the evaluation of the different phases and related timelines of the reform.

Q17. What are your views on our proposed transition sequencing?

We understand the reasons for Ofgem's proposal to include BSC and REC in the first phase, and we support Ofgem's intention.

In view of the element of novelty, we hope that flexibility will be ensured in the first implementation phase of the reform and that best practices and processes that work and for which the BSC is considered one of the best codes can be preserved.

With regards to Phase 2, we agree with Ofgem that having a new electricity commercial code (ECC) would help to support connections and facilitate flexibility. In case of the Unified gas network code (GNC), it could be beneficial to have a consolidated code and code manager in place in anticipation of future developments related to hydrogen.

We also agree that it will be beneficial to commence the consolidation exercise as soon as possible. At the same time Ofgem should be mindful of the resource burden and/or disruption for stakeholders that could be associated with pursuing both proposed electricity code consolidations at the same time.

With regards to Phase 3 (SEC and electricity technical code – ETC), we understand Ofgem's reasoning to put the SEC in the last stage (despite being a standalone code like BSC and REC) in light of the DCC reform/end of licence.

Q18. Do you have any other comments on how Ofgem should approach the implementation and transition process?

Elexon believes that the main objective of the reform should be not only be to simplify and rationalise, but also to ensure that the new arrangements are future proofed and adaptable to the changes that will affect the energy sector in the coming years. For this reason, Elexon believes that the new arrangements should be based on the principles of proportionality, adequacy and adaptability, ensuring that code managers can evolve their role and the scope of their activities to support the energy transition.

We support the change as far as it helps improving processes and practices, but we also believe in the importance of retaining best practices and processes which is proven to be working very well for the benefits of the stakeholders and the industry.

As effective implementations usually work best when those involved are driving them forward rather than resisting them, we suggest that having a clear view on the business model chosen for each code should be an early step.