
Elxon response to Ofgem consultation on draft second preliminary Strategic Direction Statement

28 May 2026

Dear Industry Codes Team,

Thank you for the opportunity to respond to your consultation on the draft second preliminary Strategic Direction Statement for industry codes.

About Elxon

Elxon is an independent, not-for-profit delivery body that has operated for 25 years, playing a critical role in opening markets and supporting the transition to a net zero energy system. We provide governance, settlement and data platforms (Elxon Kinnect), and manage the Balancing and Settlement Code (BSC), enabling the smooth and efficient operation of the electricity market in Great Britain. Over the past year, we have supported more than 130 new market entrants, fostering a more flexible and innovative energy system.

Our end-to-end expertise in governance, assurance, technology, and data supports the industry, Government and Ofgem, as the energy sector transitions to net zero. Building on our purpose of serving the industry, the data we hold is open and accessible for analysis and distribution. As a trusted, independent market expert, we continuously look to evolve and innovate for the benefit of our customers and consumers.

We are preparing for our future role as a licensed Code Manager, working closely with Ofgem to ensure a smooth transition and to build the capabilities required to deliver this role effectively. This includes strengthening our governance, service delivery and stakeholder engagement to support a more coordinated and efficient code management landscape.

Ofgem has appointed us as the Market Facilitator, to coordinate local and national flexibility markets. Our role focuses on reducing barriers, aligning transmission and distribution arrangements, and ensuring better coordination. In December 2025, we successfully achieved go-live for starting operations, implementing the Flexibility Market Rules, and published our first Delivery Plan outlining key milestones for the period January 2026 - March 2028.

We are also the Implementation Manager for the Market-wide Half Hourly Settlement (MHHS) Programme, a key enabler for the flexibility required for the transition to net zero. In September 2025 we achieved Milestone 10 of the programme, marking the point where central industry systems became ready to begin migrating Meter Point Administration Numbers (MPANs) to the new half-hourly settlement system. This enabled suppliers to start moving customer meters from late October 2025, a crucial step towards the full implementation of MHHS in the electricity retail market. Since then, more than 8.5 million MPANs have migrated to the new arrangements.

Once MHHS is fully implemented from mid-2027, Elxon will manage up to 500-billion-meter readings every year. Half-hourly data is an important enabler for consumer-led flexibility

(CLF) and can encourage more flexible use of energy – in turn reducing household bills and rewarding customers.

Summary

Exelon welcomes the opportunity to respond to Ofgem’s consultation on the draft second preliminary Strategic Direction Statement (SDS-2). We are supportive of the overall direction of the SDS and of the role that the SDS can play in providing strategic clarity and coordination across industry codes as part of Energy Code Reform.

We support Ofgem’s objective of ensuring that industry codes evolve in a way that enables the delivery of Clean Power 2030, facilitates innovation and flexibility, and supports a more efficient and consumer-focused energy system. We recognise the value of the SDS in providing greater visibility of **strategic priorities over a multi-year horizon** and in supporting better coordination between policy development, code governance and delivery planning.

Overall, we consider that the SDS identifies the key strategic priorities currently expected to require code modifications over the coming years. We also support the continuation of the three-category framework (“Act Now”, “Think & Plan” and “Listen & Wait”), which provides a useful structure for signalling relative urgency and supporting prioritisation activities.

However, while we support the ambition reflected in the SDS, we believe that some of the delivery timelines envisaged for priorities falling within the “Act Now” may prove difficult to achieve in practice, particularly where reforms remain dependent on significant outstanding policy decisions or complex regulatory and legislative processes.

We consider that uncertainty around key policy, regulatory or legislative dependencies may have a knock-on impact beyond individual initiatives, potentially affecting the sequencing, prioritisation and deliverability of reforms across the wider SDS timeline categories. Delays or changes associated with “Act Now” priorities could, for example, have consequential implications for activities currently categorised as “Think & Plan” or “Listen & Wait”, especially where programmes are interdependent or rely on common industry resources, governance capacity or enabling frameworks.

This is particularly relevant for reforms associated with **Reformed National Pricing and Long Duration Electricity Storage (LDES)**, where the final policy direction, implementation model and associated code and system impacts remain uncertain.

As we highlighted in our previous response to the first preliminary SDS consultation, there can be a significant difference between identifying a strategic reform priority and being in a position to implement the associated system and code changes within the proposed timelines. In many cases, implementation timelines will depend on **external factors outside the direct control of code managers**, including Government and Ofgem policy decisions, legislative sequencing, cross-code coordination and the availability of industry resources.

Notwithstanding these challenges, Exelon remains committed to working collaboratively with Ofgem, Government and industry stakeholders to support and enable the delivery of the reforms envisaged under the SDS.

We are confident that the SDS framework appropriately recognises the **need for flexibility and allows code managers to explain circumstances where implementation timelines may be impacted by dependencies outside their control**.

In this context, we believe it is particularly important that Ofgem's proposed **performance framework for code managers appropriately reflects these external dependencies**.

As outlined in our response to the consultation on the code manager performance mechanism, there may be circumstances where progress on SDS-related reforms is affected by factors outside Elexon's control, including delays to cross-code changes, policy uncertainty, or dependencies on third parties. It is important that these factors are appropriately recognised when assessing code manager performance and delivery against SDS objectives.

We also believe it would be beneficial for Ofgem to **publish a forward-looking "horizon scanning" report ahead of the annual SDS process**.

This publication could provide earlier visibility of emerging policy developments and potential future priorities, supporting more effective planning and engagement by code managers and industry participants.

We also note that the ongoing review of Ofgem may have implications for the future evolution of the Strategic Policy Statement (SPS), including the proposal that Ofgem should in future operate under a more bespoke SPS to provide greater clarity of strategic direction from Government. While we recognise that any such reforms are unlikely to materially affect SDS-2, we believe it would be beneficial for code managers and industry stakeholders to be kept appropriately informed and engaged as these discussions develop. Given that the SDS is informed by the SPS and directly influences code managers' business planning, delivery plans and budget cycles, early visibility of potential changes to the strategic framework would help support effective planning and implementation readiness across the sector.

Finally, while the SDS is an important strategic prioritisation tool, it is equally important that the broader governance framework continues to allow code managers and industry participants sufficient flexibility to progress changes that are not explicitly referenced in the SDS but may nevertheless be urgent, innovative or beneficial to consumers and the wider energy system. It will be important to ensure that the interaction between the SDS and the performance mechanism supports the delivery of SDS priorities while continuing to enable other important industry-led changes to progress effectively.

If you would like to discuss any areas of our response, please contact **Marta Milan, Senior Advisor** (Marta.Milan@elexon.co.uk).

Yours sincerely,



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Director of Customer & Code Management
Elexon

Ellexon's response

1. On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.

At this stage, we consider that the SDS provides a comprehensive overview of the key strategic priorities currently expected to require code modifications over the next 1–5 years.

However, as previously highlighted in our response to the first preliminary SDS consultation, we do not believe the SDS should be considered an exhaustive or static list of priorities. New priorities, reforms and operational requirements may emerge over time as Government policy evolves, market conditions change and innovation develops across the energy sector.

In this context, it is important that code managers retain sufficient flexibility to identify and progress changes that may not be explicitly referenced in the SDS but are nevertheless necessary to support innovation, competition, consumer outcomes or the effective operation of the energy system.

We also consider it important to avoid creating incentives whereby reforms already referenced within the SDS are systematically prioritised over other potentially urgent or beneficial changes solely because of their linkage to SDS objectives or the associated performance framework. While strategic prioritisation is important, the governance framework should continue to support agile and responsive code management.

As a code manager, Ellexon remains committed to supporting and enabling innovation and system reform as required by Government, Ofgem and industry needs.

2. Do you agree with the classification of each policy area within the three-time horizons (Act now, Think and plan, Listen and wait)? If not, please specify what changes you suggest and why.

Overall, we agree with the categorisation of policy areas within the three-time horizons and consider that the framework provides useful strategic guidance to code managers and industry participants.

Most of the proposed timelines broadly align with our expectations. However, we have some concerns regarding the achievability of certain timelines associated with priorities falling within the “Act Now” category, particularly where the underlying reforms remain dependent on significant policy, other bodies, and/or legislative or design decisions that have not yet been finalised.

We consider that uncertainty around key policy, regulatory or legislative dependencies may have a knock-on impact beyond individual initiatives, potentially affecting the sequencing, prioritisation and deliverability of reforms across the wider SDS timeline categories. Delays or changes associated with “Act Now” priorities could, for example, have consequential

implications for activities currently categorised as “Think & Plan” or “Listen & Wait”, especially where programmes are interdependent or rely on common industry resources, governance capacity or enabling frameworks.

This is particularly relevant in relation to Reformed National Pricing (RNP), Long Duration Electricity Storage (LDES), and Regulatory Flexibility for innovation.

Reformed National Pricing (RNP) and network charging reform

We recognise the importance of progressing reforms that improve locational signals and support a more efficient energy system. However, we believe some of the timelines envisaged for network charging reform may prove ambitious depending on the final reform option selected by Government and Ofgem.

While the Government’s proposal to introduce primary legislative powers to amend codes directly may help streamline implementation processes and avoid some of the delays historically associated with Significant Code Reviews and standard modification procedures, the delivery timeline will still depend on wider legislative sequencing and parliamentary scheduling considerations.

In addition, the range of charging reform options currently under consideration varies significantly in terms of complexity and implementation impacts. Incremental reforms may be achievable within the proposed timelines, but more transformative approaches could require substantial system, governance and operational changes across industry.

Exelon has consistently highlighted that structural system changes of this nature typically require implementation lead times of approximately 18–24 months, particularly where market participants require sufficient notice to adapt systems, operational processes and retail pricing arrangements. Network charging reforms also frequently require significant transition and readiness periods for industry participants.

We also note that these reforms are likely to interact with other aspects of the wider RNP programme, including balancing reforms and related code changes. This creates additional complexity in terms of sequencing, coordination and resourcing across multiple interdependent reform programmes. In practice, code managers and industry participants will need to manage a range of concurrent system changes with finite operational, technical and testing resources.

In this context, we believe that continued flexibility within the SDS framework will be important to ensure that implementation timelines remain realistic and proportionate to the final policy decisions taken forward.

Long Duration Electricity Storage (LDES)

We also have concerns regarding the timelines currently envisaged for implementation of reforms associated with Long Duration Electricity Storage.

At present, there remains uncertainty regarding the detailed design of the proposed cap and floor mechanism and the consequential code and system changes that may be required. Until there is greater clarity on the final framework and associated operational requirements, it is difficult to accurately assess implementation timelines and delivery implications, and plan related code modifications.

Exelon has previously sought engagement with the relevant teams working on the LDES cap and floor arrangements to better understand the expected requirements and implications for

industry systems and governance processes. We believe that continued engagement between policy teams, Ofgem and code managers will be important to ensure that implementation planning is realistic and appropriately coordinated.

More generally, we believe it is important that the SDS framework continues to recognise the distinction between identifying a strategic reform priority and being operationally ready to implement the associated changes, particularly where reforms remain dependent on decisions or processes outside the direct control of code managers.

Regulatory flexibility for innovation

We also note that the SDS refers to “Regulatory flexibility for innovation” as an “Act now” priority affecting all codes by April 2028, but provides limited detail on the practical expectations associated with this objective.

In our view, it would be beneficial for Ofgem to provide greater clarity regarding what “regulatory flexibility” is intended to mean in practice within the future code governance framework. This could include clarification on the extent to which code managers are expected to proactively support innovation through activities such as exploratory analysis, cross-code coordination, pilot initiatives, accelerated modification pathways or other innovation-enabling arrangements.

Further clarity would also be helpful regarding how innovation-related activities are expected to interact with code manager delivery plans, budget setting and the proposed performance framework, including whether code managers will have appropriate flexibility and funding mechanisms to undertake such activities where they support strategic objectives and consumer benefits.

Providing additional guidance in this area would help support consistent implementation across codes and ensure that the governance framework enables innovation in practice, rather than solely identifying it as a strategic objective.

3. Do you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code modifications, where appropriate?

Yes. We consider the SDS to be clearly structured and sufficiently detailed to support understanding of the strategic priorities and likely areas requiring code modifications.

The level of detail included appropriately balances strategic direction with the flexibility needed for code managers and stakeholders to determine the most effective implementation approaches through established governance and modification processes.

We support the SDS remaining focused on high-level strategic objectives and outcomes rather than becoming overly prescriptive regarding the specific solutions or implementation pathways to be adopted.

4. Do you support our proposed approach to convert the SDS from a preliminary document to a hybrid document, following designation of the BSC and the REC?

We do not have concerns regarding Ofgem’s proposed approach to converting the SDS from a preliminary document to a hybrid document following designation of the BSC and REC.

We acknowledge that, once Elexon and RECCo are formally appointed as code managers and the relevant codes are designated, there will continue to be a period during which some industry codes remain outside the new governance framework. In this context, the proposed hybrid approach appears pragmatic and proportionate.

We also agree that avoiding a further full consultation process following designation should help provide greater certainty for code managers and stakeholders and support more effective delivery planning and budget setting.

5. Do you have any other feedback?

Elexon believes there are additional areas where further consideration would be beneficial as the SDS framework and associated governance arrangements continue to develop.

Interaction with the code manager performance framework

As noted above, we consider it important that the implementation of the SDS and associated delivery plans is considered carefully alongside Ofgem's proposed code manager performance mechanism.

There may be circumstances where delivery against SDS objectives is impacted by dependencies or delays outside the direct control of code managers. This could include, for example:

- delays to cross-code changes or dependencies on other code bodies;
- changes in Government or Ofgem policy direction;
- legislative delays;
- wider industry readiness constraints; or
- sequencing issues between related reform programmes.

In these situations, it is important that code manager performance assessments appropriately recognise the extent to which delivery outcomes remain dependent on external factors. We would be concerned if the performance framework unintentionally created incentives that prioritise formal delivery milestones over effective coordination, stakeholder engagement or implementation quality.

Horizon scanning and forward visibility

We also believe it would be beneficial for Ofgem to publish a horizon scanning report or equivalent forward-looking assessment ahead of each annual SDS cycle.

Providing earlier visibility of emerging policy developments, potential future reforms and indicative strategic priorities would support more effective planning by code managers and industry participants. This would also help facilitate earlier engagement regarding implementation impacts, resource requirements and potential sequencing challenges.

Maintaining flexibility within the governance framework

Finally, while the SDS is an important strategic tool, we continue to believe that the wider governance framework must preserve sufficient flexibility for code managers and industry participants to identify and progress important changes that are not explicitly linked to SDS priorities.

This flexibility is important to ensure that the governance framework continues to support innovation, responsiveness and efficient market evolution in addition to the delivery of strategic policy objectives.