

Public

Energy Codes Review

ELEXON's Views on Code Consolidation and Simplification

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Agenda

- 1** GB Energy industry governance – what is the problem?
- 2** How codes can be consolidated
- 3** What the “substantial reform” future could look like
- 4** Other ‘Quick wins’ to consider : What can be done in the meantime
- 5** How Elexon is pushing the current boundaries

1 GB Energy industry governance – what's the problem?

Current arrangements

GB Energy Industry Codes and Agreements

Department for Business, Energy & Industrial Strategy



Codes

Electricity Licence		Both Licences		Gas Licence	
Code	Managed by:	Code	Managed by:	Code	Managed by:
BSC	ELEXON	SEC	Gemserv	UNC/DSC	Joint Office of Gas Transporters
MRA	Gemserv	REC	?	SPAA	ElectraLink
CUSC	nationalgrid ESO			iGT UNC	Gemserv
Grid Code	nationalgrid ESO				
STC	nationalgrid ESO				
DCUSA	ElectraLink				
DCode	ena energy networks association				

Delivery Bodies



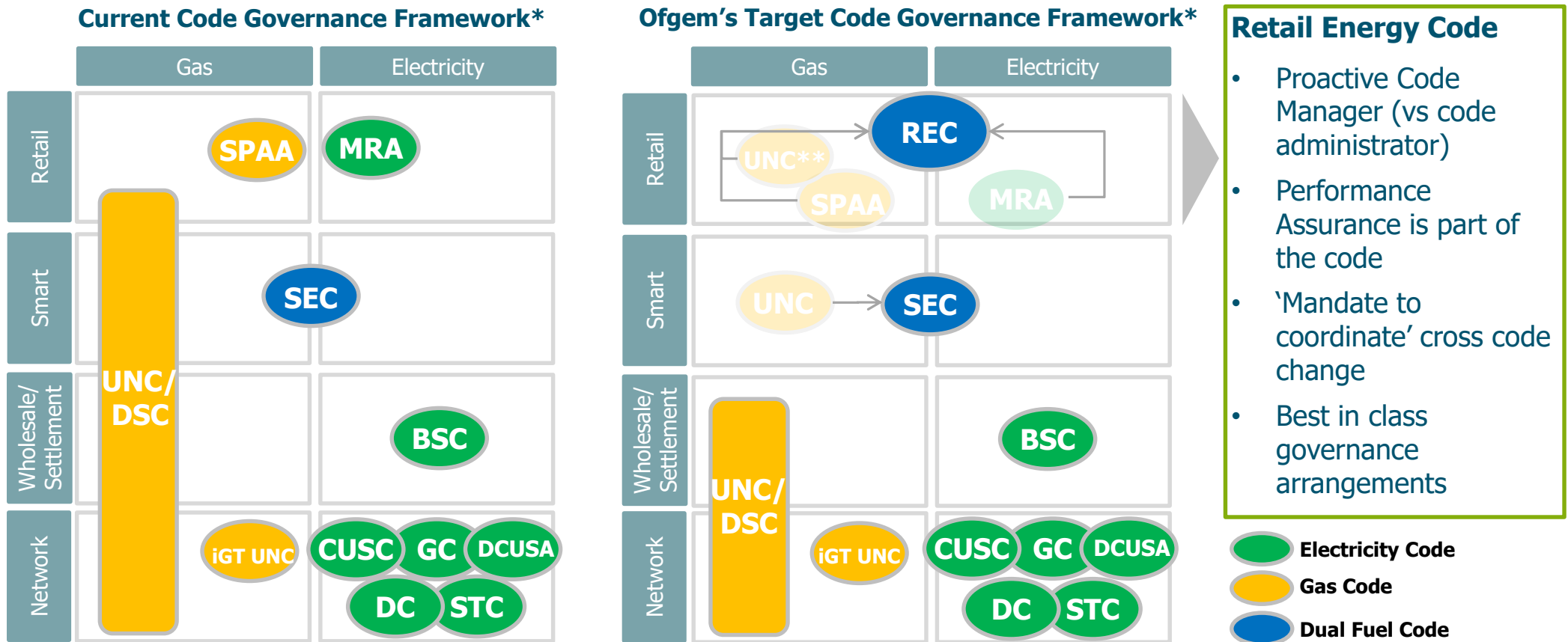
What about LCCC/ESC and DTN?

- 11 Industry codes
- 6 Code managers
- 5 Delivery bodies

Probable root causes for the identified issues

- 1 **Fragmentation of codes and central systems**
- 2 **Lack of consistency between different codes** (e.g. change process, change prioritisation, panel independence)
- 3 **Transparency** - different business and funding models/corporate purposes leading to conflicting priorities
- 4 **Lack of awareness of powers of existing legislation** – e.g. lack of consistency of Ofgem's step in powers and SCR
- 5 **Accessibility** - codes too prescriptive/detailed and difficult to understand
- 6 **Strategic direction** - no single centre of knowledge/expertise on codes or help for new entrants

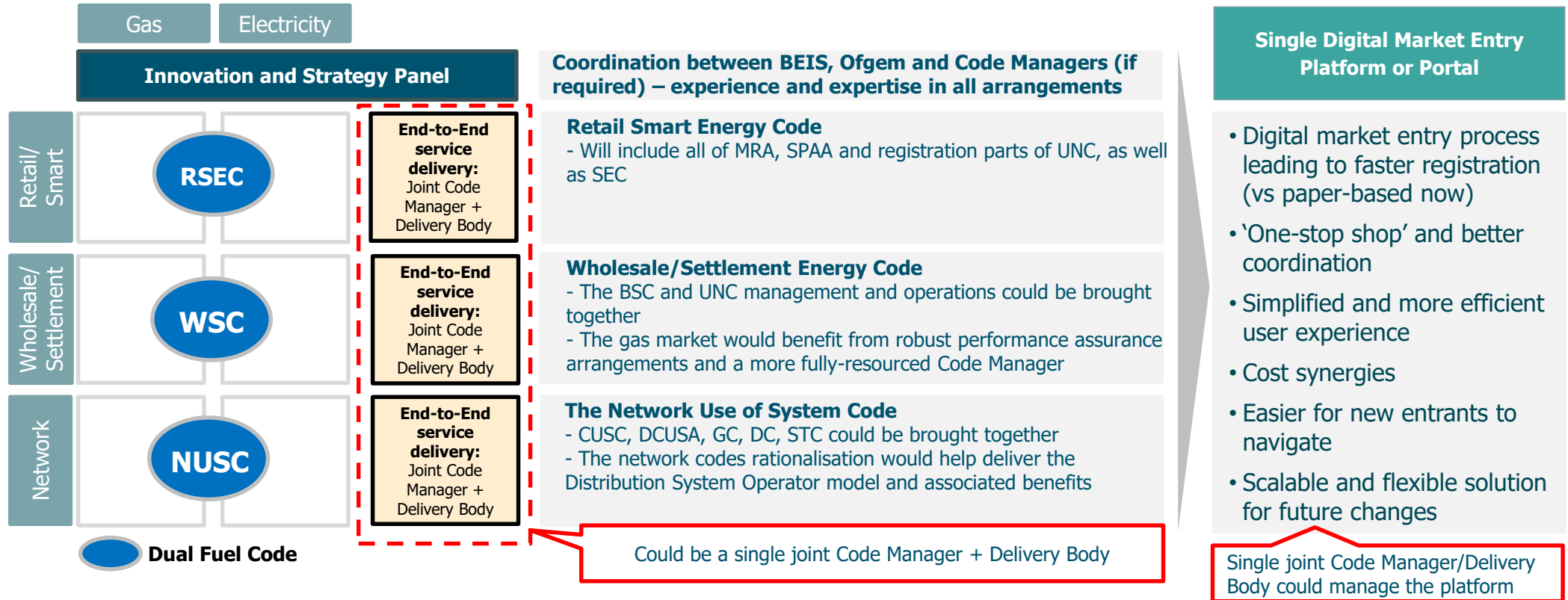
Now is the time to address code and central systems proliferation and fragmentation for the benefit of consumers and the market



- Under the Faster Switching Programme, Ofgem is creating a dual fuel code for retail aspects of the gas and electricity market (Retail Energy Code – REC)
- Ofgem's REC proposal is designed to be leading the way in Code Consolidation and learning lessons from the current issues and complexity

How can we consolidate Codes further to embed industry best practice and enable alignment of gas, electricity, transport and heat – 'A Whole Systems Approach'?

Proposed Target Code Governance Framework



- By rationalising the Codes landscape there is an opportunity to harmonise governance and code management processes; to have an Innovation and Strategy Panel, if required, which can facilitate cross-code co-ordination and bring to life the ‘whole-system’ approach
- Coordination on market entry support and credit cover could come together and be implemented on a single digital market entry platform. If a case can be made, common services such as legal support, HR could be enabled

A single digital market entry platform for new arrangements will act as a ‘one stop shop’ to improve accessibility, transparency and understanding

'No-regret' improvements to the code governance – under the current model/landscape

Change Process: review end-to-end Change Process to ensure agile delivery, review roles/timelines for Ofgem, industry, code administrators

Change Process: consider how new players and smaller market participants are represented

Panel Governance: look to replicate best practices (e.g. independence) across all code panels and how quickly this can be done

Codes Governance: consider the role for code manager vs Code Panel and what role delivery bodies can/should play (e.g. transparency)

In the meantime the work that is ongoing on the development of the Retail Energy Code needs to be cognizant of the potential model and changes that the Energy Codes Review will introduce

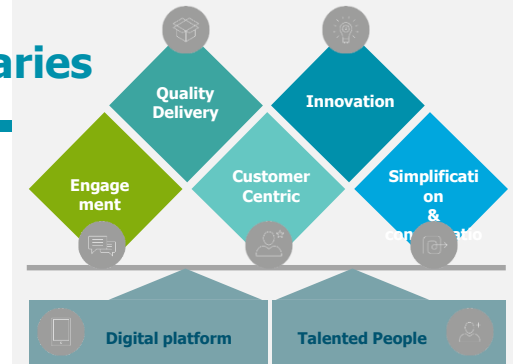
Expected outcomes in short term:

1. **Robust prompt support** to new policy proposals and Gov/regulator initiatives
2. **Remove commercial positioning** in modification development and discussion
3. **Improvement in existing services** for new and future users
4. **Greater coordination** to support new market entrants
5. **Less burden** for Ofgem and industry parties in supporting the change process
6. **Co-ordination of change** to facilitate and support faster changes to existing industry frameworks and rules
7. **Improvement in service** single point of contact for services, sharing best practices
8. **More focused** Panel discussions

We believe that much can be done to push existing boundaries of the codes to make these improvements and achieve expected outcomes – ELEXON has already started this

5 'Quick wins' in action – How Elexon is pushing the current boundaries

We believe that, collectively, we have to ensure best practices in code management and delivery are shared and replicated for the greater benefit of market participants and consumers. Existing constraints have to be addressed to allow for faster response.



1

Accessibility - comprehensive market entry guidance and customer support

1. **Dedicated customer support managers** - rapid on-boarding for operational obligations and regular performance reports and dashboards
2. **Providing education and market entry guidance** - a comprehensive programme of training and bespoke advice
3. **Guiding BSC parties through market change** - events and forums to guide parties through the ongoing and upcoming market changes, including pre-Panel t-con
4. **Digital market management** - Foundation Architecture - will deliver a flexible, scalable and open platform to provide market entry, settlement and data insight services.

2

Change Process - supporting new business models and innovators

1. **BSC Electricity Market Sandbox** – P362 – working alongside Ofgem’s Innovation Link Regulatory Sandbox for trialing new business models
2. **Multiple Suppliers through Meter Splitting** – P379 – pro-actively amending the market rules to support development of non-traditional business models and innovation
3. **Enabling 'Behind the meter' assets** – issue 70/71, P375 – working on solutions for metering behind the Boundary Point.

3

Strategic Direction – providing support to energy market reforms

1. Leading on **Half-Hourly Settlement** and Target Operating Model design for Ofgem
2. **Opening up Balancing Mechanism** for new market participants – Project TERRE
3. **Feeding into other codes administrators' work** to ensure the 'whole system' approach
4. **Contributing to Government and Ofgem taskforces** on Energy Data and EV Energy
5. **Reviewing Performance Assurance Framework (PAF) to include risk-based approach** – this will provide greater flexibility and a forecast of potential impact in case of non-compliance; supporting Ofgem on PAF for REC.



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