

By e-mail to: licensing@ofgem.gov.uk

Lisa Charlesworth,
Industry Codes and Licensing
Ofgem
10 South Colonnade
Canary Wharf London E14 4PU

23 January 2019

Dear Lisa,

ELEXON's response to Ofgem's Supplier Licensing Review consultation

We welcome the opportunity to comment on the proposed changes within the Supplier Licensing Review consultation.

As you are aware, ELEXON is the Code Manager and Delivery Body for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties. We manage not just the assessment/analysis, but also the development, implementation and operation of changes to central systems and processes.

In addition, through our subsidiary, EMR Settlements Ltd, we are the Electricity Market Reform (EMR) settlement services provider, acting as settlement agent to the Low Carbon Contracts Company (LCCC), for Contracts for Difference (CfD) and Capacity Market (CM). EMR services are provided to the LCCC through a contract and, like the BSC, on a non-for-profit basis.

As future papers will present detailed proposals around ongoing requirements and exit arrangements, ELEXON's response to this consultation will largely focus on the proposed changes for amending the process for applying for a licence.

ELEXON is supportive of the overriding principles set out to guide the Supplier Licensing Review. ELEXON has continuously adapted its operational services to support an increased number of new market entrants with little or no prior experience in energy markets. We assist a wide range of new energy industry participants and technology providers through our education and advice on market entry requirements, and we see this service as an important component of our neutral and independent role of a critical friend, facilitating equal access to energy markets.

We maintain our focus on helping the BSC Parties to operate efficiently and effectively through their lifetime as BSC Parties. We do this through our programme of training, support and performance monitoring, which is constantly evolving to reflect the changing market conditions, potential knowledge gaps and any emerging performance issues.

We recognise the fact that all Suppliers are different and we therefore adjust our services accordingly to strike the right balance for each individual company. We achieve this through dedicated support from our Operational Support Managers (OSMs), who are assigned to all Suppliers, Supplier Agents and Distribution System Operators (DSOs). OSMs support new and existing BSC Parties through their

requirements to ensure the successful on-time fulfilment of BSC Parties' obligations, and compliance with operational requirements.

We acknowledge that the proposed changes outlined in the Supplier Licensing Review aim to strengthen Ofgem's criteria for assessing supply licence applications, and in turn will increase operational oversight on performance. Although we are not able to comment on specific proposals outlined within the consultation; from the perspective of protecting BSC Parties, we recognise that greater controls to ensure that Parties are robust in their operation would minimise the costs of mutualised debts.

The views expressed in this response are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel, Panel Committees or Parties to the BSC. Our response to a specific consultation question is attached in Appendix 1.

I hope you find these thoughts helpful and if you would like to discuss our response further, please contact Jemma Williams on 020 7380 4359 or at jemma.williams@elexon.co.uk.

Yours sincerely,

Jemma Williams
Senior Market Entry Analyst

List of enclosures

Appendix 1 – Responses to specific consultation questions

APPENDIX 1 – RESPONSES TO SPECIFIC CONSULTATION QUESTIONS

This appendix contains ELEXON's response to a specific consultation question. We have outlined our general considerations on Ofgem's overriding principles in the covering letter.

Section 6 – Timing of licensing: Initial proposals

Do you identify any barriers to this approach or any adverse impacts of this change?

The consultation proposes that the licensing process is moved to after the completion of the BSC market entry process. We do not believe there are any restrictions within the BSC that would prevent Ofgem from implementing their reform. Currently, BSC Sections A3.1.1 and A4.2 allow a Supplier to register as a Supplier on the basis that they intend to hold a licence and intend to act as a Supplier. Further BSC Section J3.3.4 allows us to treat this notification of intention as an application for Qualification. Under current practices, Applicants before the Performance Assurance Board (PAB) have had a licence granted, due to the licensing process running in parallel, or before accession.