

Andy MacFaul
Head of Better Regulation
Ofgem
9 Millbank
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15 February 2011

Dear Andy

Ofgem's Proposed Corporate Strategy and Plan 2011-16

We welcome the opportunity to respond to Ofgem's draft proposals. We note that in the context of enhancing security of supply you expect to launch a significant code review looking at potential reforms to electricity cash out. Settlement of cash out and administration of the arrangements which support the imbalance settlement process are integral to ELEXON's role and we look forward to supporting and advising your team and the industry in analysing the issues and implementing any agreed system and code changes.

We have engaged closely with the DECC/Ofgem Smart Metering Programme and whilst responsibility for the detailed design and roll out of smart meters will pass to DECC we will actively continue to support Ofgem and the industry, leveraging our expertise in governance, system design, procurement and provision of assurance services as the programme rolls out.

We also question two of Ofgem E-Serve's initiatives; to update procedures for administering existing environmental programmes and introducing new Government environmental schemes efficiently and effectively. As you are aware from our previous discussions that whilst the policy and regulation underpinning these schemes is rightly a matter for Government and Ofgem we do believe that the design, implementation and administration of the operational elements of these programmes should be integrated with existing settlement arrangements. There are a number of parallels with the meter to bank process that ELEXON has successfully managed (directly and through competitively procured agents) for the past ten years. Exploiting the synergies with the existing central settlement systems and processes should enable efficiencies, improved cash-flow for market participants and, ultimately, cost savings to be achieved for the end consumer. This would result in a much improved market entry experience for new entrants; especially renewable generators. We would be happy to discuss this with you further.

Please do not hesitate to contact me if you wish to discuss any aspect of this response further. I can be contacted on 0207 380 4256 or dorcas.batstone@elexon.co.uk.

Yours sincerely

Dorcas Batstone
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