

BY EMAIL



13 January 2011

Warm Home Discount Team
Department of Energy and Climate Change
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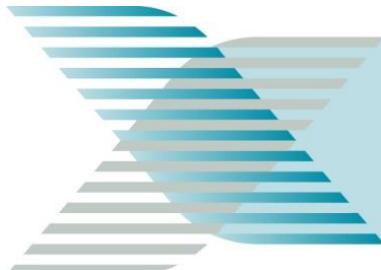
Dear Warm Home Discount Team

Response to your consultation: Warm Home Discount scheme

I attach ELEXON Limited's response to the above consultation. Please do not hesitate to contact either myself or my colleague David Osborne if you wish to discuss any aspect of our response. I can be contacted on 020 7380 4036 and David on 020 7380 4199.

Yours sincerely

Peter Davies
Director of Market Transformation



Consultation Response

Warm Home Discount: the Role of Energy Suppliers

Our general comments

This is ELEXON Limited's response to DECC's consultation of 2 December 2010 on the Warm Home Discount scheme.

In addition to our general comments we are responding to questions 16 and 18 of the consultation; we have no comments on the other questions.

We operate in a market that is subject to unprecedented pressure for change; the introduction of schemes to tackle Fuel Poverty and mechanisms to deliver environmental policy such as the roll-out of smart meters to every home in Great Britain together with existing pressures to simplify and enhance industry processes to support a secure and competitive market will drive change and consolidation.

As an expert and experienced industry service provider we are well positioned to support government and our customers in the development, planning and delivery of the operational changes that are required to assist industry through this period of change.

One of the pillars that underpins our business strategy is to look for new ways to harness the value of our assets – expertise, systems and processes and data to benefit our customers and to ensure that industry does not spend more than is necessary on duplicated central arrangements as industry reform is rolled out.

The proposed appointment of ELEXON as the operator the reconciliation mechanism is an illustration of how existing BSC systems and processes can deliver increased value to customers.

We are delighted to have been given this opportunity and look forward working with DECC in the future to identify further opportunities to deliver major Government or Ofgem initiatives or to support other major market developments.

Q16. Do you agree that the costs of the Warm Home Discount scheme should be split between energy suppliers based on their share of customer accounts (as is the case under the Voluntary Agreement)? Or would it be appropriate to use an alternative metric? Please provide evidence for your views.

We agree that it is appropriate to continue with the arrangements that have been established under the Voluntary Agreement. Suppliers will be familiar with these arrangements and it should not be necessary to change existing established reporting processes between Ofgem and Suppliers.



Please contact
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for more information.



Consultation Response

An arrangement based around customer accounts is administratively simple for the operator of the reconciliation mechanism to manage.

An alternative metric based on say supplier energy demand could be considered and would be equally simple to administer from the perspective of the reconciliation mechanism operator.

Q18. Do you agree that ELEXON would be an appropriate operator of the reconciliation mechanism for the Warm Home Discount scheme? Please provide evidence for your views

The essence of ELEXON's proposal is to, as far as reasonably practicable, align the operation of the Warm Home Discount scheme with the settlement systems and processes that are already in place and operating under the existing BSC arrangements.

ELEXON's proposal seeks to minimise initial set up and ongoing implementation costs and impact by harnessing existing assets and avoiding the need to invest in additional governance and central arrangements when it is not needed.

As Licensed Suppliers are existing parties to the BSC and familiar with its operation, it is believed that the implementation impact of the reconciliation mechanism can be kept to a minimum.

The proposed approach to the implementation of Warm Homes Discount scheme offers a simple and robust approach that can be implemented such that it takes effect on 1 April 2011 alongside the Supply Licence changes.

The activities required of the operator of the reconciliation mechanism are an excellent fit with the core skills and competencies of the organisation.