

Questions on MHHS implementation from stakeholders

11 June 2021

Governance framework/code obligations

Question

How does the MHHS implementation framework differ from the Switching Programme? Why is there a need for specific code obligations on top of the duty to cooperate licence obligation?

Ofgem response

The MHHS implementation programme is to be industry-led with no Ofgem involvement in its day-to-day running. The code obligations will bind Elexon as Senior Responsible Owner (SRO) and programme manager, and other parties and codes, into MHHS implementation. The proposed code changes complement the Duty To Cooperate in the licence obligation.

Question

Will Elexon really take account of the end consumer in running the programme and, if it does not, does this not pose a risk of an adverse impact to the overall timetable, causing delays to it?

Ofgem response

It is vital that the end consumer is fully considered during implementation. We have built a number of features into the proposed governance arrangements with this aim in mind.

We have proposed code obligations on Elexon so that it acts with the end consumer in mind. We have also proposed that the change management process should include an impact assessment for changes, which would look (amongst other things) at the impact the change would have on consumers. We have proposed that any changes which could have a significant impact on consumers should require Ofgem approval, and that the Independent Programme

Assurance provider (IPA) should identify such issues in order to bring them to Ofgem for consideration. We have also proposed that the Programme Steering Group (PSG) should include a member who has a specific remit to represent consumer interests.

We are keen that our governance arrangements should be effective in ensuring consumer considerations are fully taken into account. We welcome feedback from stakeholders on whether our proposals achieve this and any suggestions on how they may be improved.

Question

What is the role for the BSC Panel, post October 2021?

Ofgem response

We are looking to Elexon to operate and administer a robust change control process for the Programme, with Ofgem playing a role for significant changes that meet the threshold for our intervention. We have set out for consultation a Governance Framework and a role for an Independent Assurance Provider, alongside assurance principles. We have proposed that this forms the decision-making and assurance framework for the programme with no expected role in this for the Panel or for existing performance assurance (the Performance Assurance Board), apart from decisions and actions specified in relation to MHHS Qualification and the MHHS Migration Plan.

Question

What sanctions are there around licence obligations?

Ofgem response

The duty to cooperate will continue to take effect in the licence conditions and if licensees are not compliant with this or any other licence condition, then Ofgem can take compliance and enforcement action.

In terms of the code obligations, there are some sanctions that have been included in the proposed code changes, namely, where a party or party agent has not qualified under MHHS

in line with the MHHS qualification plan, then that party or party agent will be unable to take on new MPANs until they have qualified. A further example – which is more of an incentive than a sanction - is that, at the end of the migration period, any un-migrated MPANs will automatically default onto the new TOM and the qualification for non-TOM agents will no longer be valid, which we expect to result in higher charges for suppliers for un-migrated meter points due to the additional costs of settling on default profiles.

Question

Why is there a need for a new cross code coordination group if there is one already being set up under the REC?

Ofgem response

We are proposing to include a Cross Code Advisory Group (CCAG) within the MHHS governance Framework, which would be separate to the REC cross code group. We are proposing a new group, specifically under the MHHS framework as there is likely to be a lot of cross code related items that will need to be resolved. We thought it would be better to do this under its own forum, to avoid overwhelming the new REC forum, at least for the first part of implementation.

Question

What is Ofgem's intention on the role and remit of the independent assurance provider? There can be a concern that the assurance could take over the actual process, and therefore could be detrimental and costly to the programme rather than helpful.

Ofgem response

The Independent Assurance is a fundamental aspect of the MHHS governance and will play a vital role in ensuring the proper and timely implementation of MHHS. It is important to get the role and remit right and ensure there is a careful balance, which is why we are consulting on the assurance principles. We would welcome comment from stakeholders on this.

Transition timetable

Question

The transition timetable set out in the MHHS Decision is quite challenging during a period when there are other ongoing major industry reforms (Faster Switching, Smart Meter rollout). Does Ofgem think that the timetable is achievable, given that the same industry resources may be spread across all the different reforms?

Ofgem response

We have taken into consideration stakeholder views in deciding on a transition timetable of 4 years 6 months running until October 2025. We have also tested the transition timetable with external consultants and validated our revised plan and assumptions with a broad sample of stakeholders. We consider that the timetable is realistic and credible given current knowledge. There will be a re-baselining of the transition timetable in October 2021 when we hand over implementation to industry-led delivery functions and with an independent assurance provider in place. Any change to the timetable occurring as a result will need to be agreed under the change management process. Our proposal is that delays of 3 months or more to Level 1 milestones (including the end delivery date) will require Ofgem approval.

Question

The transition timetable is due to be re-baselined in October 2021 but the substantive changes to be made to implement the new settlement arrangements will not be known till Spring 2022, once the Code Change and Development Group (CCDG) reports. Does the re-baselining not come too early and are there plans to do a further re-baselining exercise when the substantive changes are known?

Ofgem response

The transition timetable Ofgem has published is realistic and credible based on our current knowledge and the input we received to test it. It will be the responsibility of the central MHHS programme management to ensure that the re-baseline in October 2021 is also realistic and

credible and supported by industry. If further information comes out later in implementation that would have a significant impact on the timelines then it will be the decision of the MHHS programme management as to whether a new re-baselining of the timetable is needed. Any change to the timetable occurring as a result will need to be agreed under the change management process. Our proposal is that delays of 3 months or more to Level 1 milestones (including the end delivery date) will require Ofgem approval.

Question

Can Ofgem explain how the overlaps in the transition timetable may work, eg how it is possible for testing and qualification periods to overlap and how the latter overlaps with migration?

Ofgem response

The expectation is that qualification can happen alongside the end to end testing, as through the end to end testing parties can demonstrate their connectivity. The period set out for qualification is the total time period we expect for all parties to qualify. Parties are likely to move through qualification at different speeds and at different times. Therefore a number of parties should have qualified prior to the end date of the qualification period. Those parties that have qualified will then be able to start migrating, whilst other parties are still in the process of qualification. This will allow a staggered and managed migration, giving flexibility to parties as to when they want to qualify and migrate within those time periods. Those that have been able to qualify early may want the flexibility to start migration, hence there is an overlap of these two activities.

Implementation programme costs

Question

What is the relationship between the programme management costs that Ofgem expect to be incurred by Elexon (in the order of £90 million over 6 years in the final Impact Assessment) and the costs attributed to 'other stakeholders' (£128.2 million for the transitional costs in the final Impact Assessment, table 4 page 50)?

Ofgem response

The costs attributed to 'other stakeholders' in table 4 (page 50 of the Final Impact Assessment) are the aggregated estimated net direct costs for the DCC, Elexon, ElectraLink, the ESO, the LCCC and Ofgem. In relation to Elexon's costs, this figure includes the expected programme management costs to be incurred by Elexon (in the order of £90 million), as well as the direct costs to Elexon as the operator of the central settlement system. The programme management costs are discussed in paragraphs 3.92 to 3.95 of the IA. The direct costs to Elexon as operator of the central settlement system are discussed in paragraphs 3.57 to 3.64.