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Response from Total Energies Gas & Power Ltd (TEGP) to the Ofgem Consultation on Market-Wide Half-Hourly Settlement (MHHS) Implementation and Governance Arrangements

Total Energies Gas & Power (TEGP) is the largest non-domestic gas and electricity energy supplier in the UK. Our customers include Industrial, Commercial and SME/MBC businesses and we welcome the opportunity to set out our views regarding the implementation and governance arrangements to support the implementation of market-wide half-hourly settlement.

Obligations on Parties

- 1. Do you agree that the balance of the duty to cooperate in licences and the more detailed obligations set out here will be sufficient to ensure that all parties are subject to the right obligations to secure timely and effective implementation of MHHS?*

We support the decision taken by Ofgem to progress with an industry-led implementation of MHHS and for Ofgem to retain overall responsibility



with decision making authority. It is also appropriate for Ofgem (rather than Elexon) to procure the independent assurance provider.

We believe implementation specific code and licence changes are required in order to support the implementation of MHHS, specifically in relation to BSC and other affected codes. It is important that these obligations apply, not just to Suppliers, but to all programme participants including Distributors and Supplier Agents. We also agree that changes to licences of relevant code bodies and other third parties will ensure that they are mandated to comply with the MHHS implementation programme and meeting industry implementation milestones.

2 Do you agree that the proposed obligations on all programme parties in respect of MHHS implementation, and the proposed obligations on Elexon in its roles as the BSC code administrator, are sufficiently well defined to ensure that ownership and accountability for implementation of MHHS is clear? If not, how could the proposed obligations be changed to allow this to happen?

We believe that obligations on programme parties are sufficiently defined. This relates to Ofgem as Sponsor, Elexon as SRO, Suppliers as programme participants and the steering group / Ofgem as decision makers. Ofgem must hold Elexon to account, directly as responsible party through the procurement of an independent assurance function.

Section 3.5 of the consultation document summarises the obligations very clearly and we take comfort by the presence of an independent assurance function, and it is reassuring to see this has been put in place as a result of lessons industry learned from the absence of this during the early stages of Project Nexus.

We support the proposed functional separation of Elexon's organisation between centralised programme functions and the operation of central settlement systems to address any risk or perception of conflict of interest.

With respect to the obligations of Programme Participants, in particular Suppliers, we understand that we are required to make changes to IT systems and/or their business processes in accordance with timescales set out in the programme in order to comply with the new settlement arrangements. TEGP will co-operate with programme governance and assurance and data cleansing, testing and meterpoint migration in accordance with programme requirements and timelines. We support that **all** parties must be obligated to do this through changes to licence conditions.

With respect to supplier agents, we agree that they must also comply with the MHHS implementation provisions and the proposal for them to complete amended qualification processes. Whilst we understand that suppliers are responsible for their agents under the supplier hub principle, we believe it is essential that supplier agents engage in the programme and requisite changes are made to industry regulations and codes of practice to which agents must adhere.

3 Do you have any comments on the scope or drafting of the draft obligations themselves? We would appreciate all comments, but suggestions for changes in wording where you think what is proposed does not work would be particularly helpful.

We do not have any comments on the drafting of the obligations specifically at this stage but support the clarity with which these have been set out at this early stage of the programme.

We request continued visibility on the costs of the programme, which parties will bear these costs and at what stage. We support transparent reporting of the programme costs to monitor industry financial support for the programme and efficiency of the processes to deliver the benefits of MHHS.

Governance Structure

4 Do you support the governance structure as described in the Market-Wide Half-Hourly Settlement Governance Framework? We welcome all comments, but if you have proposals for changes to the governance structure it would be particularly helpful if you could clearly set out your preferred alternative in any specific area of the governance structure.

A robust governance structure is essential so that all parties are clear where decision making will sit within the programme, how decisions are taken, how and when industry will be consulted with representations taken into account and how issues are escalated and resolved.

We support the Governance proposals which should ensure engagement with industry is enough to allow all parties feel engaged and have access to all relevant programme information. The framework outlined should ensure that all parties have an opportunity to influence the programme decision-making process. We also support the separation of “Elexon Programme” from “Elexon System” to manage any potential conflicts. The formation of a Steering Group is essential to ensure all industry parties are represented at the top decision-making table and the non-domestic supply sector must have fair representation as non-domestic IT systems and process are substantially impacted.

The proposed escalation trigger process to refer matters up to the Authority and the change control process seem fair and reasonable.

5 Do you agree with the approach of Ofgem designating the governance structure as set out in the Governance Framework as a baselined document in the BSC, that Elexon and all programme parties will have to comply with? If not, can you suggest an alternative method of embedding the governance structure, contained in the Governance Framework, in the programme and providing confidence to all programme parties?

We agree with the proposal to baseline the Governance Framework as a subsidiary document under the BSC.

Independent Programme Assurance

6. Do you have any comments on the proposed Assurance Principles?

We agree with the assurance principles set out in the consultation. We believe that the principles should be extended to include financial assurance regarding programme costs with reporting of this back to industry through the PSG.

Ofgem's Role

7. Do you agree that specific thresholds should be set for Ofgem intervention to avoid the risk of Ofgem being drawn into day-to-day management of MHHS implementation?

Yes, we believe escalation thresholds should be set to ensure appropriate referral of any serious issues which would prevent unnecessary day to day involvement of Ofgem in resolving issues that have reached impasse.

8. Do you agree that Ofgem intervention should be based on the five key criteria of: adherence to the TOM, delivery of benefits and costs, timeliness of delivery, impact on competition and consumer impact? Do you agree with the specific TOM, cost and timeliness thresholds? If not, what others would you propose?

We agree with the proposals in general but think that the threshold for cost of an individual decision is too high at £5m. We suggest this should be revised down to £2.5m for an individual decision and £10m cumulatively in place of the £20m proposed.

We also believe that where the design process is not taking proper account of the interests of end-consumers, materiality should be defined, otherwise it may be left open to debate and interpretation.

9. Are there any other criteria that you consider may warrant Ofgem intervention? Please give reasons why.

We suggest Ofgem should intervene if there is unfair or disproportionate impact of a decision on a particular market sector (domestic v non-domestic).

10. Do you also agree that Ofgem should have a role in ensuring that conflicts of interest are properly managed within MHHS implementation?

Yes, we agree that Ofgem should ensure there is no conflict of interest within the Programme Manager roles and between Elexon being the Programme Manager and delivering central system changes.