

## **Response Form**

# **Implementation and Governance Arrangements for Market-Wide Half-Hourly Settlement Consultation**

*The deadline for responses is 25 June 2021. Please send this form to [HalfHourlySettlement@ofgem.gov.uk](mailto:HalfHourlySettlement@ofgem.gov.uk) once completed.*

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**Is your feedback confidential?** NO ☒ YES ☐

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## 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?

In relation to parties, SSEN believe the current duty to cooperate license and more detailed obligations in the proposed code changes are sufficient to ensure and incentivise parties to secure timely and effective implementation of MHHS. The obligations are wide reaching.

In relation to the Elexon obligations, specifically conflict of interest, it is not clear there are robust and effective controls or assurance in place to identify or prevent in a timely manner conflicts of interest that may result in impact to the MHHS project, parties and costs. The Independent Assurance Provider may indeed identify conflicts of interest during an assurance review, however the governance of when, who and how often such a review is, or can be conducted is not clearly defined. Without close Ofgem involvement and oversight the risk of conflict of interest issues arising is heightened.

It may be sensible to consider independent assurance reviews when certain milestones are met and material decisions made, or at least on a defined cycle, in addition to current monitoring and ad hoc assurance activities.

Please note, in the consultation documents, there is an inconsistency in the abbreviation for "Independent Assurance Provider" within the draft governance framework document, it refers to "IPA", yet in the independent assessment of preparations to establish and undertake the role of MHHS Project Manager document, it refers to "IAP". Please can this be corrected for consistency.

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?

The proposed obligations on Elexon are such that it raises concerns around Elexon's ability to manage a programme of this size with its limited whole-market experience and when making cost-impacting decisions.

The proposed roles and responsibilities on Elexon are seemingly heavy weighted on decision making, with only needing to take parties views into consideration. We would urge Ofgem to take a more direct role with key decisions which have cost impacts on parties or materially impact the programme.

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 believe there should be more emphasis on conflict of interest, especially where the obligations place decision making on Elexon without any proper party voting process.

## 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.

In principle we support the overall governance structure, however it does seem rather high level in terms of the responsibilities, accountability, duties, authority and structure of each group.

Whilst we understand Ofgem would prefer to leave the structure or mode of operation of these groups to the programme, there is a risk these groups may not be setup as initially assumed. Perhaps a Terms of Reference being developed prior will ensure the groups are setup effectively.

We would like to reiterate the point mentioned in question 2 with regard to Elexon's decision making and overall programme ownership. We would like to see more of a steering group decision making process, and where material decisions are made there is sufficient governance to ensure parties views are accounted for and decisions are made in the interests of customers and cost implications.

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?

In principle the governance structure seems acceptable, however there are elements of concerns in relation to decision making and ensuring all parties voices are heard and considered. Although Network Operators have one seat at the Programme Steering Group, without any voting structure in place there is a risk of Network Operator voices not being listened to.

## Independent Programme Assurance

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

The Independent Assurance principles, objectives and scope seems well defined and wide reaching across all programme parties and Elexon. We would refer back to our comment in question 1 regarding conflict of interest assurance. We recognise this is covered in good detail, however we believe conflict of interest assurance should be conducted at regular intervals and following material milestones and decisions. It is not clear this is always the case.

## 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?

We agree with the specific thresholds for Ofgem intervention to avoid the risk of Ofgem being drawn into day-to-day management of MHHS implementation. However as highlighted in previous questions we believe Ofgem should take more of a hands-on approach in relation to key decision making and general oversight of the programme to identify areas of concern at an earlier stage.

We do feel that oversight at a more granular level, without being drawn into day-to-day management will enable Ofgem to assess the reality of the programme management effectiveness and welcome their attendance the PSG.



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?

SSEN agree that Ofgem intervention should be based on the five key criteria, and the TOM, costs and timeliness thresholds.

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

Ofgem have set-out an accelerated timeline which overlaps with the Faster Switching programme, both represent significant change to the same set of DNO and wider industry systems; and will no doubt draw on the same resources.

For these reasons, we would suggest greater oversight and direct decision making is needed by Ofgem than is currently proposed.

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

SSEN agree that Ofgem should have a role in ensuring that conflicts of interests are properly managed within MHHS implementation.