



Rachel Clark
Ofgem
10 South Colonnade
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London
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Emailed to: halfhourlysettlement@ofgem.gov.uk

21st June 2021

Dear Rachel,

Re: Implementation Arrangements for Market-Wide Half-Hourly Settlement (MHHS)

Drax Group plc (Drax) owns two retail businesses, Haven Power and Opus Energy, which together supply renewable electricity and gas to over 350,000 business premises. Drax also owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8.3 million homes across the UK. This is a joint response on behalf of Haven Power and Opus Energy and is non-confidential.

We're supportive of Ofgem's decision to approve the introduction of MHHS and are broadly comfortable with the proposed implementation arrangements. However, there are two key aspects of the proposals that we believe require further consideration:

- We do not agree that new obligations need to be placed on relevant parties to ensure a successful industry-led implementation. Suppliers' existing *Duty to Cooperate* with a Significant Code Review (SCR) under Standard Licence Condition 11, is sufficient as it accommodates any reasonable support that Ofgem may require from licensees when embarking on a SCR.
- Ofgem should require a non-domestic supplier representative to be a member of the Programme Steering Group (PSG) to represent the unique characteristics of the market and its consumers. The Faster Switching programme has a non-domestic supplier constituent representative which has proved valuable to the programme by highlighting unintended consequences and challenges of the design specific to non-domestic suppliers.

Our responses to the specific consultation questions are appended. We would be happy to discuss any part of our response with you further if it would be helpful.

Yours sincerely,

Matt Young
Group Head of Regulation
Drax Group plc



Appendix

Question 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 don't agree that new obligations need to be placed on suppliers to ensure a successful industry-led implementation for MHHS. We firmly believe that Suppliers' existing *Duty to Cooperate* with a Significant Code Review (SCR), under Standard Licence Condition (SLC) 11, provides Ofgem with sufficient means to compel licensees to fully cooperate or take appropriate enforcement action.

The introduction of the *Duty to Cooperate* constituted a significant addition to Ofgem's powers to direct the future development of the GB energy market framework and was purposefully designed to accommodate any (reasonable) support that Ofgem may require from licensees when embarking on a SCR. As indicated by Ofgem in its 2018 decision¹, we would welcome the creation of guidance and other material specific to each SCR but do not agree it warrants amendments or additions to SLC 11, or in this case the Balancing and Settlement Code (BSC). Introducing the proposed obligations implies similar obligations would be required for every SCR which renders the *Duty to Cooperate* redundant, or at the very least, suggests it's not fit for purpose.

Question 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?

Yes, we agree they are sufficient for all parties except suppliers where we believe they are unnecessary as explained in answer to question 1.

Question 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're broadly comfortable with the proposed code changes. One point we would highlight is the need for a clear definition of the thresholds that would prompt the Panel and Performance Assurance Board being able to require an organisation to procure their own assurance of its readiness to meet specified programme milestones. The bar for such thresholds should be set relatively high due to the high cost and resource drain they typically incur. Moreover, suppliers will want to evaluate the likelihood of this eventuality to enable appropriate internal budgeting.

¹ *Decision to modify the Standard Conditions of the Gas Supplier, Electricity Supplier, Gas Transporter and Electricity Distribution licences* – <https://www.ofgem.gov.uk/ofgem-publications/144252>



Question 4: Do you support the governance structure as described in the 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.

We broadly support the proposed governance structure and particularly welcome plans for a Cross Code Advisory Group (CCAG) as we believe it is critical that all code change activity is planned and executed in a coordinated and complementary way.

We do however believe that the MHHS Programme Steering Group (PSG) would benefit from a non-domestic supplier representative to represent the specific characteristics of that market and the interests of its market participants. We believe this should be in addition to the planned representatives for large and medium/small suppliers, who are more likely to prioritise the interests of domestic supply activities in these constituencies. The Faster Switching programme has benefitted from a non-domestic supplier representative, who has highlighted unintended delivery consequences unique to the non-domestic market to relevant governance groups (e.g. the impacts of introducing a '*Domestic Premise Indicator*' on the objection window of in-flight switches at Faster Switching go-live). While the Settlement process is more generic across the sector than the Switching arrangements, we anticipate that issues specific to the non-domestic market will arise that warrant dedicated attention. That approach will better enable the identification and efficient review of concerns raised by constituents and ensure that any key issues are brought to the attention of the Senior Responsible Owner (SRO) in a timely manner.

Question 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 with which Elexon and all programme parties will have to comply? 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?

Yes.

Question 6: Do you have any comments on the proposed assurance principles?

No.

Question 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 that Ofgem should only intervene to take decisions or direct action when certain thresholds are met, or where the Independent Assurance Provider (IPA) recommends that an issue should be escalated to Ofgem. We believe the proposed governance structure affords Ofgem good oversight without risking slowing MHHS implementation by obliging Ofgem to be involved in the day-to-day management or decision-making of the programme.



Question 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 that Ofgem has identified the appropriate criteria and thresholds for intervention, particularly where any change would mean the TOM would no longer meet the original design. Suppliers will be impacted differently depending on their existing estate, but, for example, we expect the changes to our systems and processes to implement MHHS to be exceptionally complex. As such, certainty of the TOM design is critical to avoid participants having to make unnecessary changes and incurring additional cost and potential delay.

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

We haven't identified any additional criteria.

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

Yes.