

To Rachel Clark
Submitted by email only to
HalfHourlySettlement@Ofgem.gov.uk

25th June 2021

OVO's response to the Ofgem Implementation Arrangements for Market-Wide Half-Hourly Settlement Consultation.

Dear Rachel,

OVO continues to strongly support Market-wide Half Hourly Settlement (MHHS). We consider MHHS to be an empowering change for customers, enabling them to make cost effective choices. Additionally, MHHS will benefit the electricity industry through improved efficiency of settlement and balancing, while also reducing operational burdens and overall costs to the system.

OVO is supportive of the aims of this consultation. Following our review, we think there are elements that require greater clarity and focus, we have set out our full response to the consultation in Annex 1. In summary:

- We recommend Ofgem plans a final consultative impact assessment of the Implementation Timetable, which affected MHHS Participants, once the final regulatory design for MHHS is known next year.
- We welcome a better understanding of how Ofgem will approach long term planning. If changes amend necessary activity dates moving them further into the future, impact assessment of the continued achievability of the remaining planned milestones dates will be necessary.
- We look forward to seeing the detail determined by Ofgem and Elexon on how the governance arrangements will operate in practice, including how the programme management and governance structures will work effectively together. We request transparent engagement on the various Programme Groups Terms of References, inputs and defined deliverables, as lessons learned from the Switching Programme show these should have been tested before being implemented.

- We welcome the chance to engage with Elexon on their yet to be developed;
 - “Mobilisation Stage Plan”,
 - the programme change process and criteria; if it sits within scope for the SRO to make the decision, or if Ofgem intervention and decision making is required,
 - the test plan,
 - the requirements (definition & design) for the new Programme Party Coordinator, including the proposal for the Programme Party Coordinator (PPC) engagement with parties about their new obligations and preparations to build, test and meet them,
 - proposal about how to establish the Programme Steering Group, its commitments to keep all MHHS Participants up to date with developments/decisions and how to determine constituent representatives,
 - proposal of how the Design Authority will ensure that any decisions are transparently communicated with programme participants, and appropriate consultation with impacted parties.

Should you have any questions or would like to discuss our response bilaterally please feel free to contact us at policy@ovoenergy.com.

Kind regards,

Claire Hemmens

Regulation Senior Analyst

Annex 1 - Detailed response to Ofgem Implementation Arrangements for Market-Wide Half-Hourly Settlement Consultation Questions

Section 3: Obligations on Parties

Q1 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?

OVO agrees the high-level requirements on parties are clear. However, the key will be the interpretation of the obligations and how non-compliance is managed, for effective, efficient, timely resolution. We await sight of the non-compliance processes, as these are not clear from this consultation.

We note the consequential impacts on suppliers for implementation non-compliance and can understand why they are necessary to protect customers. Non-compliance will adversely affect customers, who cannot be managed under the new market rules when their suppliers' services have been suspended. It is appropriate to avoid unnecessary non-compliance where possible, we recommend that the proposed implementation timetable is tested next year when the final design requirements are consulted and confirmed.

We welcome an ambitious timetable, and think it is important to keep transparency over timelines with the broader industry. It is critical, however, that the detailed design is shared as early as possible. The detailed design is essential to MHHS Participants' understanding, their ability to impact assess how long each phase of implementation will appropriately take and in preparing affected industry parties for a successful, timely, well managed implementation. This is preferable to pushing ahead with a predetermined timetable which may not take into account all activity, or allow sufficient contingency.

Q2 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?

OVO is concerned about the effectiveness of Ofgem's proposed SEC changes. In particular, how the MHHS specific changes will interact and be impacted by the existing, congested change programme which at times progresses in lengthy timescales. Experience indicates that delivery of the required smart metering communications changes may prove complicated, lengthy and expensive, working in conflict with the constraints of the limited timescales proposed by MHHS.

We recommend that these timescales should be tested with the DCC for an early indication of risks, scalability and costs. The DCC provision of an updated smart service will be key to the success of the MHHS Programme and for parties who have implemented/migrated on time to be able to meet their obligations. We fully support Ofgem's proposal to make the DCC responsible for ensuring that their agents/3rd parties will act in accordance with the general implementation obligations all other MHHS Participants will have.

Q3 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.

OVO note Ofgem is keeping open the option to change the MHHS Governance Framework, set out in the BSC legal text underpinning the obligations. This has not clearly been drawn out in the Consultation, but OVO hopes that any re-designation of documents is managed via a transparent, regulator-led industry consultation to ensure the changes are known, understood and assessed ahead of being implemented.

When looking at the proposed legal drafting we have the following comments;

- For the change process for implementation (12.3.2 (b)) we believe Ofgem needs to add some guidelines for Elexon's development of the Implementation change process to ensure a clear, articulate, transparent decision making process, with clear expectations on timescales for engagement. A process striking a balance between enough time to review/assess the impact, whilst ensuring the end to end process will support timely decision making is essential, to avoid the Switching Programme process issues where some change can be unnecessarily long winded. We look forward to seeing the process set out by Elexon, with the opportunity to comment via a MHHS Participant consultation before it is implemented.
- For "BSC 12.6 (g) (h)" is there a reason why Ofgem as the programme sponsor would not also like to see the PMO progress and RAID reporting against the Implementation Timetable, at the same time as the SRO & PSG?
- We are pleased to see the clear rules setting out the independence of the IPA from all involved programme parties.
- "12.12.2 ... The MHHS Implementation Timetable has been set on the basis of engagement with parties and evidence as to an appropriate and overall cost effective implementation timetable, and will be subject to evidence-based review and change as appropriate." The review of the timetable with industry participants was understandably high level earlier this year (where the detailed design is yet to be finalised, with limited ability for anyone to provide evidence of the timetable achievability). However, OVO urges Ofgem to plan for an implementation plan review and consultation next year once the final design requirements from CCDG have been confirmed (due spring/summer 2022), to test the delivery timescales in the way they expect to as change is assessed for impacts.

No matter how well managed, designed and implemented a programme is, there are always changes required which cross over into business-as-usual code governance. OVO recommends that guidance is developed to set out when code changes can be raised under the implementation programme and the practical cut off, to avoid the issues seen under the Targeted Charging Review work. For example when changes are needed, but the baseline is fixed/stable and cannot accommodate any more change. Thus helping parties understand when changes will be part of the implementation programme or transition to existing Code Change governance for management and resolution.

Section 4: Governance Structure

Q4 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.

OVO agrees it is good to have a governance structure that provides us with transparency of all decision making, management of the programme and its progress against the plan.

OVO are pleased to see;

- Ofgem took on board concerns raised earlier this year and are seeking to address these to ensure a formal, tangible separation of Elexon's MHHS Implementation Programme management function from other parts of Elexon's work. We welcome this separation to provide the Implementation team a focussed scope, in particular when engaging with their cross-code peers in the preparation and completion of all changes required,
- the new programme groups to be established,
 - with flexibility for specific sub working-groups to be established when needed, with open industry representation.
- that the design authority must ensure that any decisions arrived at are based on full transparency and appropriate consultation with impacted MHHS Participants.

Programme Groups

Programme Steering Group (PSG). We believe Ofgem needs to set out more detail about if and how MHHS Participants, who are not members of PSG, will be consulted and can feed comments/amendments into the PSG.

Where Ofgem sets out at least one representative under each constituency, we feel impact assessment from other participants in that constituency is missing from the framework. We do not think that it is appropriate to have only one large supplier and one medium/small supplier representation, given the number of suppliers involved in MHHS. Suppliers are responsible for delivery and programme funding and face the strictest impacts for programme non-compliance.

We seek clarification on how both the Design Authority and Implementation Groups are established and constituted with industry representatives.

Governance Process

We do not agree that different change processes should be established for different MHHS documents. To avoid confusion and set clear expectations for all MHHS Participants, we believe in a clear, single change process. One that can flex the impact assessment timescales depending on the complexity and significance of the change being reviewed.

Q5 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?

OVO agrees it is appropriate for Ofgem to designate changes to BSC to set out their initial Governance Framework baseline.

Section 5: Independent Assurance

Q6 Do you have any comments on the proposed assurance principles?

OVO are pleased to see the Independent Assurance Provider (IAP) will have the requirement for periodic assessments, to ensure; there is no gap in implementation, that delivery issues are being identified and addressed in a timely manner.

We agree that MHHS Participants will have to provide evidence of their preparedness to provide assurance that they have met their obligations ahead of implementation.

Section 6: Ofgem's role

Q7 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?

OVO welcomes Ofgem's oversight and engagement and supports the introduction of specific thresholds, ensuring it is clear what will trigger intervention and decision making by Ofgem. We recommend Ofgem considers a mechanism to review the thresholds if evidence suggests a different threshold would be more effective.

Whilst we welcome Ofgem's oversight, to avoid unnecessary delays, we are concerned that there is no consideration of the proposed timescales for Ofgem's determinations on matters referred to them. This means that each referral might cause additional delays which require subsequent programme replanning.

We recommend Ofgem develop their proposed process for any referral engagement, and the timescales under which it will aim to conclude, in a rapid but effective way. This would enable the programme to understand what effects the referral process might have on the programme plan, contingency and milestone dates.

The consultation does not say how Ofgem determined the specific period threshold and why a different timescale was discounted (e.g. 6 months replan). We suggest that Ofgem should;

- include with the individual timescale trigger, a cumulative set of timescale changes/delays, which collectively trigger the threshold (much as you have suggested both individual and cumulative costs triggers).
- Give the programme the ability/discretion to carry out a replan up to 6 months in duration, if the IPA concludes a consultative programme reassessment and replan has occurred.

Q8 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?

OVO agrees that the defined interventions set out are appropriate.

Do you agree with the specific TOM, cost and timeliness thresholds? If not, what others would you propose?

OVO suggests in addition to the individual planned Implementation Timetable change, that a cumulative set of planned Implementation Timetable changes could also trigger an intervention.

Q9 Are there any other criteria that you consider may warrant Ofgem intervention? Please give reasons why.

OVO suggests that upon Ofgem's decision next year, that the detailed design is defined as part of the adherence to the Target Operating Model (TOM).

Q10 Do you also agree that Ofgem should have a role in ensuring that conflicts of interest are properly managed within MHHS implementation?

OVO agrees Ofgem should perform the role of arbitration where there are identified conflicts of interest.

It is unclear how Ofgem would manage conflict, if the MHHS solution is in conflict with something being delivered under SMIP (for example something which affects the delivery of existing smart change or which does not support the security provisions in place). OVO suggests consideration of how Ofgem would manage this.

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