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25th June 2021

Consultation on Implementation Arrangements for Market-Wide Half-Hourly Settlement

Dear Rachel,

This response is on behalf of National Grid Electricity System Operator (NGESO) and is not confidential. We welcome the opportunity to respond to your consultation on implementation and governance arrangements for the introduction of Market-Wide Half-Hourly Settlement.

NGESO is the Electricity System Operator for Great Britain. We balance the electricity system keeping supply and demand in perfect balance. Our mission is to enable the sustainable transformation of the energy system and ensure the delivery of reliable, affordable energy for all consumers. We are the Code Administrator for the Connection and Use of System Code (CUSC), the Grid Code (GC), the System Operator – Transmission Owner Code (STC), and the Security & Quality of Supply Standard (SQSS). As a Code Administrator we support the industry and drive key outcomes in the code modification process.

In our Code Administrator role, we recognise the part we will play in the industry-led approach to Market-Wide Half-Hourly Settlement (MHHS) implementation. More widely than this, we support the overall aims of the MHHS implementation and governance work in gaining input from impacted parties across the industry, whilst delivering a framework that enables transparent and efficient decision-making.

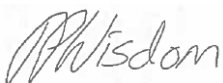
As the MHHS programme transitions to programme management under Elexon as the Senior Responsible Owner (SRO), we believe it is important to highlight the interdependencies between MHHS and ongoing electricity network charging reform. Formally recognising the link between other Significant Code Reviews (SCRs) and large-scale industry developments within the MHHS Governance Framework would help in mitigating the risks of uncoordinated change.

With a programme of this scale, we believe there is considerable value in establishing a cross industry code group, and that this is key to delivery of some aspects of the business case that are reliant on actions from a wide variety of market participants. MHHS is an enabler to facilitating transition towards a flexible and decarbonised electricity system, and as such, we believe there may be benefits in extending any industry coordination wider than just industry code change and we would be happy to work the programme to discuss where these opportunities may arise.

We would welcome further discussion with Ofgem on the proposal to introduce an obligation into the CUSC on NGESO to comply with MHHS implementation. This appears to be a duplication of our existing duty to cooperate with SCRs, contained within our transmission licence. We are fully committed to MHHS implementation but feel that this change is not required for overall delivery of the programme and is inconsistent with the governance of other SCRs.

If you would like to discuss our response, please contact Keren Kelly at keren.kelly@nationalgrideso.com in the first instance.

Yours sincerely,



Jonathan Wisdom

Commercial Codes Manager
Markets

Appendix

As set out in our cover letter, this appendix contains the detail of our view and answers to the specific questions listed in the consultation.

Obligations on Parties

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 do not believe the proposed modification of the CUSC is required to obligate NGESO to comply with the implementation of MHHS. NGESO already has a duty to cooperate with Significant Code Reviews (SCR) under condition C19 of the Transmission Licence and we view this as sufficient to ensure compliance.

In addition, NGESO is a BSC Party in the role of National Electricity Transmission System Operator (NETSO). As a BSC Party, NGESO is listed in proposed BSC paragraph 12.2.3 in the definition of “MHHS Affected Code Body”. Our Transmission Licence makes no distinction between NGESO being a Code Administrator and System Operator. We therefore believe that the proposed BSC changes include NGESO as a “MHHS Participant”, without intending to capture the system operator function.

The proposed CUSC wording obligates the CUSC Panel (please see our response to Question 3) to ensure that NGESO complies with MHHS implementation in accordance with the proposed BSC section C12. However, the CUSC Panel does not have any powers at its disposal pursuant to the CUSC to assure NGESO’s compliance or take action if there was a risk of non-compliance.

To clarify, we are happy to support the implementation of the MHHS programme and have been involved with developments to date, but we do not see the value in making a modification to an industry code where it duplicates requirements captured elsewhere in the regulatory framework.

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?

Due to the unique situation described in our answer to Question 1, where NGESO provides both the system operator and code administrator functions, we believe that obligations placed on MHHS Participants are applicable to the whole of NGESO as an entity. The drafting means that some of these obligations are only enacted at a later stage in the programme where, for example, MHHS Qualification is required, and as such not all of the obligations are applicable to NGESO.

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.

The proposed CUSC legal text refers to ‘National Grid Electricity System Operator Ltd’ whereas the rest of the CUSC refers to NGESO as “**The Company**”. The CUSC also contains a defined term for “**Code Administrator**” which may be relevant if the intent of the drafting is to limit the obligation to the code administrator function of NGESO. If the proposed CUSC change is made, we believe the reference to National Grid Electricity System Operator Ltd should be amended for consistency. However, use of the term “**Code Administrator**” may be at odds with the proposed BSC changes, which consider NGESO as a complete entity.

‘Panel’ is also not a defined term under the CUSC. The governance body usually referred to as the CUSC Panel is the “**CUSC Modifications Panel**” in the CUSC legal text. This will also require amendment.

Governance Structure

Question 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.

We are broadly in agreement with the content of the draft MHHS Governance Framework and see value to the MHHS Programme and industry participants in documenting the structure to this level of detail. We do however think that there are aspects that require additional consideration and clarification.

We are fully supportive of the Cross Code Advisory Group (CCAG) and will provide representation for the CUSC. An industry programme of this scale requires this type of coordination, and arguably could be extended wider than the code modification process. The diagram in 1.30 of the Draft Governance Framework illustrates the hierarchy of the proposed governance/expert groups but we think there is merit in documenting further detail about how some of the groups will interact with one another. For example, the CCAG and Code Change Development Group (CCDG) could have an overlap in remit if the terms of reference are not clearly defined, particularly while the detailed design and redlining of legal text are being undertaken. If clarification of interaction is not provided within the governance structure, we believe it is something that Elexon should define prior to the industry groups being established.

In our system operator role, we have a wider interest in MHHS than the consultation and Draft Governance Framework imply. NGESO is classified as a MHHS Affected Code Body (and then by association as a MHHS Participant), but this does not appear to recognise our extensive use of settlement data for tariff setting, forecasting and charging and more generally for supporting effective system operation. The composition of the Governance/Expert Groups does not recognise the system operator role and there is therefore a risk that decision-making could occur that could impact on our ability to discharge our licence obligations, without our ability to influence or inform. We do appreciate that the scale and scope of the programme means there is a need to limit the attendees of different groups but suggest slightly more flexibility where there is a matter or decision of relevance. This could be under direction from Elexon as the Senior Responsible Owner (SRO).

To support successful governance and implementation arrangements, we would like to see clear work plans for each of the governance/expert groups with an open approach to sharing information before and after meetings. It may not be appropriate to include this within the governance structure documentation, but an approach to programme operation to ensure relevant industry participation is something we would like to see from Elexon.

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, 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 proposed approach to designate the MHHS Governance Framework to embed a governance structure under C12 of the Balancing and Settlement Code (BSC). It is important that the framework is transparent and that programme participants can understand any obligations or opportunities for involvement that they may have. The concept of subsidiary documents under the BSC is familiar and established.

Independent Assurance

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

No comment

Ofgem's Role

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 with the approach to set thresholds for Ofgem intervention as this provides transparency to an industry-led 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 are supportive of the criteria for Ofgem intervention, particularly in relation to consumer impacts and delivery of benefits and costs given the strategic role that the MHHS programme can play in transition to net zero. We consider that the consumer impact element is particularly important through this process so that we can ensure that the overall outcomes deliver for end consumers and their interests.

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

Where a matter interacts with another SCR or large-scale industry programme e.g. Access and Forward Looking Charges SCR, we consider that Ofgem intervention may be warranted and as such, should become another criteria. Ofgem have a key strategic role and have recognised the interdependencies to date with these other programmes and to ensure the success of all programmes we would welcome Ofgem's direct oversight of the interrelated impacts these may have.

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, it is our view that this is a sensible approach. It is important for the programme to maintain momentum within the expected timeframes, with any conflicts of interest being identified and resolved promptly.