

## **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?

Our response to this question and all other questions is provided in relation to Elexon's role as operator of settlement systems and in respect of the rights and responsibilities assigned to us in respect of that role. Another response will be provided on behalf of Elexon as Senior Responsible Owner (SRO) for Market-Wide Half Hourly Settlement (MHHS) implementation.

We believe that the proposed obligations are sufficient to ensure our participation in the timely and effective implementation of MHHS.

The delivery of central settlement systems is dependent on detailed requirements which will be provided to us in April 2022. It is important to be aware that no programme participant (including ourselves) will be able to provide confirmation of delivery costs or timescales until those requirements are known and assessed.

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?

Elexon as MHHS Programme Participant is a clear defined role with specific responsibilities set out. We agree that the proposed obligations do provide sufficient definition, ownership and accountability in respect of our operation and delivery of changes to central settlement systems in respect of MHHS.

We note that the BSC Panel and Performance Assurance Board (PAB) are limited in their capacity in respect of compliance or performance assurances of the obligation of MHHS Participants in respect of MHHS Implementation to only being in relation to MHHS Qualification and the MHHS Migration Plan.

We have found BSC Panel and PAB oversight highly beneficial to the progression of industry change, including early moves to Half-Hourly settlement of customers. We believe that the BSC Panel and PAB have an important role to play in providing oversight of the delivery of MHHS Implementation activities across BSC Parties. This is particularly the case for interactions of BSC Parties with BSC Central Systems and development of and compliance with relevant BSC Processes.

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.

## 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.

We believe the governance structure described in the Governance Framework is appropriate. We expect to participate in the appropriate working groups and will endeavour to resource participation in all of them as necessary.

It is important to be aware that there may be times where it is not possible to fulfil the requirements of every working group, for example where key resources are required for each and for the delivery of the system changes relating to the implementation of MHHs. In these cases it is important that there is a clear prioritisation as well as understanding from other participants.

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?

This approach seems appropriate. We would like to note that the BSC governance for the Governance Framework is unclear. The proposal states that it will be a baselined document under the BSC and that Elexon as SRO will define a change process. This may not be consistent with existing BSC document categorisation and governance processes, and therefore may require new governance arrangements to be put in place to ensure the operation of the governance framework. We are prepared to work with Ofgem, BSC Parties and MHHS Participants to properly define these arrangements.

There is further question about what legal standing and governance arrangements the documents produced subject to the Governance Framework (including the data cleansing, data migration, defect management, migration, qualification and test plans, the implementation timetable and the target operation model) will have. As above we are prepared to work with Ofgem, BSC Parties and MHHS Participants to properly define these arrangements.

Further, the Governance Framework states that Elexon as PMO shall establish and administer a change control process to apply to these relevant programme documents. It is unclear what legal standing and governance arrangements will apply to this change process.

We would like to highlight the importance of our involvement in the governance processes for these documents, in our distinct role as MHHS Participant. This should be clearly defined and separate from any role in the process that Elexon as SRO may have. As an MHHS Participant affected by these documents we believe we should have as much ability to propose changes as any other MHHS Participant.

## **Independent Programme Assurance**

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



## 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 – thresholds should be set and they must be appropriate and unambiguous. We believe that the thresholds should be subject to ongoing review, in case we find that thresholds are repeatedly breached for routine matters that Participants and Ofgem agree shouldn't be escalated. Failure to do so may result in excessive programme overheads.

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?

The categories for intervention seem sensible.

In respect of thresholds, we note that the cost thresholds for individual or cumulative decision are set at a level of 5% and 20% of the central programme cost, but the criteria appears to be applied in respect of decisions which affect overall MHHS costs and benefits against the Impact Assessment. Given the Impact Assessment anticipates the range of wider benefits for society to be £659m - £3,009m and the range of net benefit to GB consumers to be £1,559m - £4,509m those thresholds represent only between 0.11%/0.44% and 0.75%/3.03% of the range of anticipated benefits. We believe it may be sensible to raise the cost threshold if it is being assessed against costs/benefits assigned to the overall programme.

In respect of transition timetable, we note that the timescales allowed between receipt of requirements and delivery of functional systems are already shorter than we would anticipate for changes of this scale. It is a possibility that multiple timescale slippages will occur given detailed requirements will not be available until 2022. While we will make every endeavour to maintain the transition timetable, we will not be able to provide an accurate assessment of time required for delivery until requirements are available. Nor will any other programme participant.

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

No, we do not believe there are any other criteria that should be used to trigger Ofgem intervention.

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

Yes. While we believe that the governance frameworks should adequately deal with any actual conflicts of interest arising it is useful to ensure there is an option to refer to Ofgem for resolution.