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Market-wide Half-hourly settlement team
Ofgem
10 South Colonnade
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Sent by email to: halfhourlysettlement@ofgem.gov.uk

Dear settlement reform team,

Implementation Arrangements for Market-Wide Half-Hourly Settlement

Centrica is a business focused on delivering the net zero energy transition. We are ready to support a green recovery that works for both consumers and businesses. Centrica supports the changes that will enable customers to transition to a low carbon future. A future where customers, both those with smart homes and electric vehicles (EVs) and those without, may take advantage of innovative new propositions such as dynamic time of use tariffs tailored to their unique energy and service's needs.

Centrica supports the rationale for implementing MHHS. We support the principle of cost reflectivity, and that demand reduction and demand shifting can deliver significant benefits to end consumers and help them transition to a low carbon future.

In our March 2021 response¹, we raised concerns over ELEXON's management of the MHHS programme and we welcome that Ofgem has taken steps to address these by committing to remain a firm sponsor of the MHHS programme, intervening as needed.

Furthermore, we welcome Ofgem's commitment to continue managing the customer facing element of MHHS with industry, and for customer communication to remain outside of ELEXON's remit.

In the appendix to this letter we set out our answers to the specific questions within the Ofgem consultation.

¹ Centrica consultation response:
https://www.ofgem.gov.uk/system/files/docs/2021/04/centrica_response.pdf
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If you have any questions or would like to discuss our response, please contact me on Tabish.khan@centrica.com or 07789 575 665.

Yours sincerely,

Tabish Khan
Centrica Regulatory Affairs

Appendix 1: Centrica response to Ofgem's consultation questions

In this appendix we set out our response to the specific questions posed by Ofgem in its consultation.

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?

Yes, we agree that the obligations will secure timely and effective implementation of MHHS by all parties.

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 that the proposed obligations will ensure ownership and accountability.

However, we consider supplier board of directors sign off to be disproportionate. Instead, sign off should be delegated to a managing director or board member of the supplier as this will ensure senior sign off as well as sufficient oversight. Managing director sign off would also align with supplier company structures where major transformation programmes are often accountable to a single managing director.

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.

No, we have no comments on the draft obligations.

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 support the physical separation of ELEXON into two entities and the appointment of an independent assurance provider (IPA) as appropriate steps to ensure Ofgem addresses the conflict of interest in ELEXON programme managing MHHS and implementing a large portion of MHHS. We remain concerned as to whether the IPA will be cost effective, and therefore expect to be consulted on the decision to assign an IPA.

The governance structure is missing the customer communication group that would sit under Ofgem. This group would aid in designing the messages on MHHS that will be received by customers. While this group has already been established as a loosely organised group it should be formalised within the governance structure to ensure it is maintained for the length of MHHS implementation.

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?

We agree this is a suitable approach to the governance structure.

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

We agree with the assurance principles but would add an additional principle to ensure costs in providing the assurance functionality are incurred efficiently. There are levels of assurance that may be provided, and it is important that the IPA strikes a balance between thorough assurance and cost effectiveness.

We support the need to ensure the IPA is independent of ELEXON, and that it will report into the programme steering board and Ofgem.

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?

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?

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

We agree that specific thresholds should be set for Ofgem intervention and that these interventions should be based on the five key areas identified by Ofgem in its consultation.

However, we would also include an overarching provision that allows Ofgem to intervene for any significant impact to the MHHS implementation that isn't captured under any of the outlined criteria, this would allow for Ofgem to address any unforeseen and substantial impacts to MHHS implementation.

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 vital that Ofgem ensure that conflicts of interest are managed in the MHHS implementation – particularly when one party, in this case ELEXON, are both responsible for management and implementation.

We expect Ofgem to take an active role in managing this conflict of interest, and to investigate and intervene should concerned parties flag a conflict of interest to Ofgem.