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Dear Rachel

Implementation Arrangements for Market-Wide Half-Hourly Settlement

Thank you for the opportunity to respond to the consultation on the industry implementation for the Significant code review for Market-wide Half-Hourly Settlement. Ofgem has completed a thorough assessment of the governance arrangements to successfully deliver the SCR and we are supportive of the approach taken. The arrangements build upon the lessons learned from previous significant change processes and provides an appropriate balance of oversight and independence.

Ofgem must ensure that the governance arrangements are both effective and proportionate. For some parties (in particular DNOs), this may require a light touch involvement as we already have strong incentives to deliver against the MHHS requirements. Our RIIO-ED2 DNO business plan and future roles are shaped by the success of moving further towards smarter grids, evolving network charging methodologies and promoting more customer engagement with the market. We also have a history of delivering these large-scale change solutions and this should be considered when identifying the most appropriate governance arrangements. The proposed board level statements on key deliverables appear to be overly prescriptive and disproportionate to the level of risk of the DNO deliverables. We would suggest a Board statement should only be required if absolutely necessary and note that the detail of wording in the proposed obligations require assurance from a Board Director which we are comfortable with as a requirement.

We noted in paragraph 3.26 that Ofgem makes reference to a change to DCUSA for the unmetered supplies. We are unable to identify which change this refers to and request Ofgem shares further insight on this issue being referred to.

One of the incentives on suppliers to deliver the MHHS programme is the proposed “one-way gate”. Under current registration suspension arrangements (such as credit cover failure), DNOs are required to suspend using the defined provisions in DCUSA. The document does not specify how the “one-way gate” arrangements will be supported or delivered. We have identified two potential areas to consider further as we suggest considering how the one-way gate is implemented will be key. The proposed “one-way gate” mechanism would be significantly more complex to administer for individual DNOs. So our initial thinking is that the Central Switching Service may be best placed to deliver the requirements. We also note that a change to the MRA was required to allow parties to



suspend registrations following Authority determinations (as a result of poor performance). An implementation approach is likely to require a code change so would also be required in this instance to allow the suspension of registrations, unless Ofgem currently plans to issue determinations as appropriate which we think could be burdensome for Ofgem.

We are supportive of the proposal that Ofgem should only intervene to take decisions or direct action when certain thresholds are met, or where the Independent Provider of Assurance (IPA) recommends that an issue should be escalated. We are pleased that Ofgem has published the proposed thresholds which are defined, clear and provide Elexon with certainty for delivery.

The proposed obligations placed on industry parties mirror the changes to our distribution licence for other SCRs including the Retail Energy Code. These requirements are proportionate to the required changes and will ensure all parties work collaboratively with Elexon and each other to deliver the changes to codes, systems and processes necessary for MHHS implementation. The detail set out in the BSC to ensure Elexon manages the process efficiently is particularly helpful in managing expectations of other industry parties. It is also helpful to include the obligation within the other code managers governance arrangements.

Ofgem's prescribed assurance principles (covering objectives, scope, approach and independence) should provide a platform for the proposed Independent Assurance Provider (IPA) to support Ofgem and Elexon in the delivery of MHHS. One of the key elements relating to the IPA is that it will not be assuring each party, but providing an overarching view that the reporting process is reliable. This should help to ensure that reporting supports the delivery of the change, rather than diverting resources away from it. The IPA will also play a key role to ensure that any potential conflicts of interest are identified, assessed and removed. We also see a significant role for the IPA in monitoring the programme timetable and identifying any risks to the timetable. There are several ongoing and concurrent significant codes reviews led by Ofgem and each of these have significant resourcing requirements for the industry. Identifying where resourcing pinch points occur and flagging these to Ofgem will allow the Authority to understand the conflicting schedules and balance the deliverables to benefit customers.

We also support the establishment of a Cross Code Advisory Group to support the end to end development of the HHS systems and co-ordinated code change. We expect to see significant benefits in this area, especially with regard to the cross -code industry change management processes.

If you have any queries, please feel free to contact me on 07500 849220.

Yours sincerely



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