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Citizens Advice's response to Ofgem's consultation on Market Wide Half Hourly Settlement (MHHS): Consultation on the governance, funding and operation of an Event Driven Architecture (EDA)

Dear Rachel,

Thank you for the opportunity to respond to this consultation on the governance of the event-driven architecture.

As the statutory consumer advocate for energy, we represent the views of the consumer on the Retail Energy Code (REC), the Balancing and Settlement Code (BSC) and on the Marketwide Half Hourly Settlement (MHHS) governance groups, as well as other codes, and are therefore well-positioned to offer a perspective on this consultation. However, given the lack of clarity surrounding the progress and direction of wider energy code reforms and the time horizon on when primary legislation may be laid and reform implemented, we accept there may be forthcoming Ofgem decisions on consolidating and simplifying code governance which limits our view on the relevant assessment criteria.

We think that both REC and BSC represent competent bodies to manage the logistical challenges of the governance, operation and funding of the EDA. We understand the new architecture is a hybrid comprising ElectraLink's Data Transfer Network with minor modifications and a new EDA platform to meet the requirements of the MHHS Target Operating Model (TOM).

We view ensuring a long term strategic fit that enables clear synergies with other services provided via the governance provider as a priority for Ofgem given the potential consumer benefits of the right approach. To this end, we think the EDA should be closely aligned to the BSC, half-hourly settlement reform and wider reforms in utilising metering to enable innovative settlement solutions. These are key developments that support access to markets and support competition which are

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potential drivers of efficiencies and uptake of low carbon technologies. The capability to manage large cross-code impacting changes, such as MHHS, P375, P415 and experience over a number of years utilising a regulatory sandbox will clearly be supported by closely understanding the implications on the EDA. The potential synergies and efficiencies present the strongest value proposition for consumers in a fast-evolving energy market.

We recognise the importance of the REC objective complementary to the EDA of furthering the interests of consumers through the appropriately controlled use of data. However, we don't think that the delivery of this objective requires the governance synergies with the EDA in the same way. The aims of the REC for better data management should be basic standards across the energy sector and regulated actors should be following this aim as a requirement that is applicable across engagement in all codes. As seen in the RIIO2 price controls, clear principles of data management and sharing can and should require good practice such as 'open by default'. This supports efficient systems and opportunities for better provision of service to consumers. Also, the biggest source of energy data of consumers is the DCC, which is governed separately under the Smart Energy Code. As a result, we expect that the REC needs to be closely linked to the data capabilities across codes in order to deliver its objectives anyway. Finally, setting the governance body the objective of furthering consumers' interests through the appropriately controlled use of data will also support this outcome, regardless of the governance manager.

The other key factor we think is important is the trust and engagement of the industry to deliver the proposed service. Given the continued strong performance of BSC in Ofgem's code administrators survey and the broad scope and demands of the MHHS project, we think the BSC currently presents a more established governance model. We recognise there are clear benefits from the REC's consumer-centric approach to code governance and we would expect either organisation to ensure consumers are placed at the heart of ensuring the benefits of settlement reform are widely felt.

We believe neither of the above points should lead to higher costs. Elexon's role as a not for profit organisation provides us with some confidence, alongside the improving industry scrutiny of its business planning, that it has a focus on keeping costs as low as possible for its customers and ultimately end consumers. As stated by Ofgem, there is a route within the BSC to attribute costs to a chosen group of relevant stakeholders that should bear costs.

We view all the parties listed in Question 5 as appropriate participants in EDA governance. We recognise that in terms of representation, both codes include suppliers and DNOs, while REC has a wider function engaging supplier agents and BSC generators. BSC has additionally through major cross-code changes also proven an ability to engage participants beyond code parties, such as innovators. We do not have a view on the allocation of costs, other than to urge Ofgem to seek to ensure that its

preferred model reflects the value received from the EDA service and are cognizant that this position is likely to evolve. Therefore, it would seem sensible to not lock in a fixed model and keep it under review.

Please do get in touch if you have any questions about this response.

Kind regards,

Ed Rees and Tom Crisp

Senior Policy Researchers, Citizens Advice