



Making a positive difference
for energy consumers

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Date: 31 August 2022

Dear Company Secretary,

Direction to the Smart Data Communications Company ("DCC") under paragraph 12.12(1)(h) of the Balancing and Settlement Code ("BSC") to commence work on the capacity changes needed to deliver Market-wide Half-Hourly Settlement ("MHHS").

On 11 August 2021, the Gas and Electricity Markets Authority ("the Authority") modified Licence Condition 21 of the Smart Meter Communication Licence (the "DCC Licence") through the addition of paragraphs 17 and 18 to ensure compliance by the licence holder (DCC) with the provisions that the Authority was proposing to place in the BSC in relation to MHHS. The modification to the DCC Licence took effect on 6 October 2021.

Paragraph 17 of Licence Condition 21 states "Although the Licensee is not required to become, and shall not be regarded as, a party to the Balancing and Settlement Code, the Licensee shall comply with the obligations expressed to apply to it (either specifically or generically as a category of participant) under the section titled 'Market-wide Half Hourly Settlement Implementation' of that Balancing and Settlement Code." Paragraph 12 of Section C of the BSC is titled "Market-Wide Half Hourly Settlement Implementation". Paragraph 12.12.1(h) states "Each MHHS Participant shall:... comply with the Authority's directions from time to time relating to MHHS Implementation."

Paragraph 18 of Licence Condition 21 states "Paragraph 21.17 has effect from the date the Authority specifies in a direction issued to the licensee in the event that the Balancing and Settlement Code is modified to include the section referenced in paragraph 21.17 titled

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‘Market-wide Half Hourly Settlement Implementation’ of that Balancing and Settlement Code.”

On 8 November 2021, the Authority issued a Direction whereby paragraph 17 of Condition 21 of the DCC Licence took effect pursuant to paragraph 18 of Condition 21 of the DCC Licence. Paragraph 17 of Licence Condition 21 took effect on and from 8 November 2021.

On 27 July 2022, the Authority received the Final Modification Report for the Smart Energy Code (“SEC”) Modification Proposal 162 (“MP162”): SEC changes required to deliver MHHS for decision.

MP162 seeks to amend the SEC to introduce a new User role to conduct the Meter Data Retrieval (“MDR”) Service under MHHS and provide DCC with the guidance on the increase in capacity of the smart meter systems required to deliver the MHHS Target Operating Model. In addition, the modification report noted the DCC Preliminary Impact Assessment stated that additional system capacity would be required to accommodate the increase in traffic across its networks. The smart meter system capacity is not regulated under the Smart Energy Code, and as such a modification is not required to enable DCC to amend the capacity.

DCC has noted to the Authority that to deliver the capacity required for MHHS by the February 2024 release, a decision would be required on what form that capacity increase should take, by the end of the August 2022.

It is the Authority’s view that the capacity required to deliver MHHS is a separate question to the MDR role set out in Modification 162. In considering SEC MP162 Final Modification Report, the Authority’s current intention is to return this modification to the SEC Panel under the SEC Send Back mechanism as it believes additional information is required with respect to the MDR role, for the Authority to form an opinion on the modification.

However, noting that the Authority believes that the question of capacity is distinct from the question of the MDR role, and that additional capacity will be required to implement MHHS irrespective of the introduction of the MDR role, under paragraph 12.12(1)(h) of the BSC the Authority directs the licensee to undertake additional analysis to identify and plan the delivery of the system capacity needed to deliver the requirements of the HHS Target Operating Model (TOM) and to provide the Authority with a recommendation of the most suitable approach and the associated costs. That recommendation should be provided to the Authority no later than Friday 7 October 2022.

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Yours faithfully,

A handwritten signature in black ink, appearing to read 'Rachel Clark', written in a cursive style.

Rachel Clark

Deputy Director, Retail

Duly authorised on behalf of the Gas and Electricity Markets Authority

31 August 2022

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