

# Report

## Revisions to Elexon's MHHS Business Separation Plan

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**This update is to inform stakeholders that Ofgem has approved revisions to Elexon's Business Separation Plan for implementing market-wide half-hourly settlement (MHHS).**

Section C 12.4.1 (b) of the BSC states that Elexon (as the BSC Company, or BSCCo) shall - either itself or through external service provider(s) - perform its MHHS Implementation Manager roles without undue discrimination between MHHS Participants (or classes of MHHS Participants). This includes ensuring no undue discrimination between BSCCo as an MHHS Participant and other MHHS Participants. The BSC further states, in section C 12.4.3, that BSCCo shall ensure that the service providers, personnel, IT Systems and facilities it uses to perform its role as MHHS Implementation Manager are sufficiently separated from those it uses as an MHHS Participant, as further described and set out in the MHHS Governance Framework and a business separation plan to be approved by the Authority.

The Authority designated the MHHS Governance Framework on 1 November 2021.<sup>1</sup> Paragraph 1.9 of that document provided that Elexon shall develop, obtain Ofgem's

<sup>1</sup> [Decision on designation of the Market-wide Half-hourly Settlement Governance Framework | Ofgem](#). Under section C 12.3.1 of the BSC, the Authority may designate (and may, if it wishes from time to time, re-designate) one or more documents as the MHHS Governance Framework.

approval of, and comply with a business separation plan which requires explicit, physical, organisation and cultural separation between Elexon's MHHS Implementation Manager and Participant roles. On 19 November 2021, Ofgem approved and published Elexon's Business Separation Plan. In doing so, we stated that any revisions to the Business Separation Plan will be published on the Ofgem, Elexon and MHHS Programme websites.

Earlier this year, Elexon proposed revisions to the Business Separation Plan. There were two drivers for this. First, to give Elexon's Chief Executive Officer (CEO) greater oversight of progress with regard to MHHS programme implementation. Second, to reflect the appointment in November 2022 of a single individual as Senior Responsible Officer and Programme Executive Representative for MHHS and as Director of Strategic Programmes more generally. These roles lie on either side of the 'Chinese Wall' established by Elexon pursuant to the code obligations outlined above. Taken together, these developments potentially increase the risk (or perceived risk) of a conflict of interest in the management of MHHS implementation. We have considered Elexon's revisions carefully. In particular, we have focused on whether the safeguards in the Business Separation Plan and in the wider programme governance arrangements sufficiently mitigate the risk of a conflict of interest.

So far as the Business Separation Plan is concerned, there are extensive revisions to sections 9 and 10 to clarify the roles of the CEO, the Programme Executive Representative and the MHHS Senior Responsible Officer (SRO). These sections set out the extent of their involvement (if any) in decisions relating to MHHS implementation. For instance, the text makes clear that the CEO does not sit on either of the MHHS or the Helix Programme Steering Groups and that the Programme Executive Representative plays no part in the management and decision-making of Project Helix.

So far as the wider governance arrangements are concerned, we note that section 12.10.5 of the BSC requires the Independent Programme Assurance (IPA) provider to monitor and provide assurance that the MHHS Implementation Manager is complying with its obligations under paragraph 12 of BSC section C. As part of this, the IPA is responsible for identifying and reporting on issues relating to business separation and Elexon's conflicts of interest. Where the IPA considers that the issues are material, it will bring them to Ofgem for consideration. Ofgem will then be able to make directions concerning any issues identified, which may include directing Elexon to amend its Business Separation Plan (noting that Elexon is required under the BSC to comply with Ofgem's directions about implementation). The IPA will look very carefully at how the revised Business Separation Plan operates in practice and will make such recommendations as they consider reasonable. This might include making changes to the Business Separation Plan and the Governance Framework.

In the meantime, we further note that, under the MHHS Governance Framework, any Programme Participant has the right to make representations to the IPA if they believe that the MHHS Programme is treating their interests less favourably, without good reason, than those of other parties. Such matters may be referred to Ofgem for determination. To guard against this happening, it will be important for the SRO (and others to whom programme decision-making may be delegated) to set out clear rationales for all Programme decisions, supplemented by the best evidence reasonably available. This will help prevent any breakdown of trust between Programme Participants and Elexon that could otherwise necessitate broader Ofgem intervention.

### ***Decision***

Pursuant to BSC Section C 12.4.3 and paragraph 1.9 of the MHHS Governance Framework, Elexon has submitted its MHHS Business Separation Plan for approval by the Authority. We consider that, as amended, it continues to provide a reasonable basis for ensuring that the service providers, personnel, IT Systems and facilities that Elexon uses to perform its role as MHHS Implementation Manager are sufficiently separated from those it uses as an MHHS Participant. The Authority accordingly approves the revised Business Separation Plan. We are publishing redlined and ‘clean’ versions of this document. Any future revisions to it will be published on the Ofgem, Elexon and MHHS Programme websites.

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