

Decision

Decision on Market-wide Half Hourly Settlement Change Request CR055 ('Amendments to M10 and corresponding milestones')

Publication date: 29 11 2024

Contact: Melissa Giordano

Team: Deputy Director, Retail Systems and Processes

Email: melissa.giordano@ofgem.gov.uk

Market-wide Half-Hourly Settlement (MHHS) Change Request CR055 proposes to extend the timeline to the M10 milestone ('Central systems ready for migrating MPANs') by 6.5 months to enable the full and robust completion of Systems Integration Testing. This will have knock-on effects for subsequent programme milestones. On 18 October 2024, after discussion at the MHHS Programme Steering Group, the MHHS Senior Responsible Owner (SRO) made a decision to recommend Ofgem approval of CR055. Our approval is required because, under Ofgem's current MHHS Governance Framework¹, any proposal to move Level 1 milestones by 3 months or more requires our approval as Programme Sponsor.

On 22 October 2024, we received a report on CR055 from the Independent Programme Assurance provider, PWC, recommending approval of CR055 but also containing a series of recommendations for reducing the risk of further delays to MHHS in the future. On 24 October 2024, the SRO formally submitted a recommendation that Ofgem approves CR055 together with supporting paperwork. We have considered these documents and taken into account information provided by stakeholders about the need for and impact of CR055.

This decision document sets out that, as recommended by the SRO, Ofgem has decided to approve CR055. All affected parties must operate in accordance with the revised MHHS Implementation Timetable and so ensure the earliest possible delivery of MHHS-related benefits to consumers. **However, Ofgem is determined that there should be no further delays in the delivery of this vital programme. To reduce this risk, we will be taking forward in early 2025 a package of additional regulatory measures intended to expedite the delivery of MHHS.**

¹ [Market-wide Half-hourly Settlement Governance Framework](#), November 2021, p.15.

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Executive Summary

Introduction

In June 2023, Ofgem approved Change Request CR022 'MHHS Programme Replan'.² Under that plan, central parties had to be ready to accept migrating Meter Point Administration Numbers (MPANs) in March 2025 (the 'M10' Milestone) and migration for early MHHS adopters³ was to start in April 2025 (the 'M11' milestone). This timing was predicated on systems integration testing (SIT) progressing at a specific pace. SIT has taken longer than expected and, despite attempts to increase testing execution rates, SIT remains well behind schedule. MHHS Programme raised a Change Request, CR055, proposing to delay M10 (initially by 5 months but revised to 6.5 months) and to make consequential changes to later milestones.

The M10 milestone marks the point at which Central Systems (BSC central systems, registration, DCC and communication systems) will be ready to initiate migration of MPANs to the new MHHS arrangements. M10 cannot happen unless the SIT phase has been successfully completed. Given the significant and irrecoverable delays that have already occurred, MHHS Programme now considers that the SIT Minimum Viable Cohort will not complete its testing until August 2025. As a result, CR55 proposes to move M10 from early March 2025 to late September 2025. On 24 October 2024, the MHHS Senior Responsible Owner (SRO) submitted a recommendation that Ofgem approves CR055. The proposal includes the following Level 1 milestone changes of 3 months or more on which, under the current MHHS Governance Framework, Ofgem is required to decide.

Migration start (milestone M11)

A key phase in delivering MHHS is to migrate all MPANs from the existing non-half hourly to the new MHHS arrangements. This will involve 33 million MPANs. CR055 proposes to move the start date for migrating Unmetered Supply Points and Advanced MPANs (milestone M11) from early April 2025 to late October 2025. This is a 6.5-month delay to a Level 1 milestone and accordingly Ofgem's approval is required.

² See [CR022 'MHHS Programme Replan'](#), Ofgem, June 2023.

³ Those parties that are undertaking System Integration Testing and are part of the 'Minimum Viable Cohort' (MVC). The MHHS Programme glossary defines the MVC as consisting of "central systems and sufficient early adopters to enable the solution to go live". Early adopters must have the right functional elements to allow the market to function, so the MVC will include the central systems, (i)DNOs, suppliers and service providers. Successful testing by the MVC is necessary to conclude with certainty that the MHHS design has been robustly tested from end-to-end, which is itself a prerequisite for allowing the migration phase to get under way.

Qualification (milestone M14)

MHHS Participants must qualify to operate under the new settlement arrangements. To incentivise timely qualification, Ofgem decided in 2021 that if suppliers had not qualified for the new settlement arrangements by a certain date, they should be prohibited from taking on new customers. From this date, migrated MPANs will not be able to move back to non-half hourly settlement arrangements on a change of supplier. Under CR055, the deadline by which suppliers must have qualified would move from mid-March 2026 to late October 2026. This is a 7.5 month delay to a Level 1 milestone and Ofgem’s approval is required.

Migration ends (milestone M15)

CR055 proposed to move the migration completion date from October 2026 to May 2027. This is a 7 month delay to a Level 1 milestone and Ofgem’s approval is required.

New settlement timetable (milestone M16)

In our April 2021 decision on MHHS, we decided to make the settlement process more efficient by shortening the timeframes. Under CR055, the date for cutting over to the new settlement timetable moves from early December 2026 to early July 2027. This is a 7 month delay to a Level 1 milestone and Ofgem’s approval is required.

Impact assessment and recommendation by the SRO

MHHS Participants were invited to assess the impact of CR055 in September 2024. Most respondents supported CR055. At an extraordinary meeting of the MHHS Programme Steering Group (PSG) on 18 October 2024, the SRO decided to recommend that Ofgem approve the Level 1 milestone changes outlined above. On 24 October 2024, the SRO submitted a recommendation that Ofgem approves those Level 1 milestone changes.

Report by the Independent Programme Assurance provider (IPA)

The IPA reported on CR055 at the PSG meeting on 18 October 2024. The IPA’s view was that the initial proposal of a 5-month delay carried a high level of risk and that the revised version, proposing a 6.5-month delay, “better balances opportunity and risk”. The IPA recommended approval of the revised CR055 but made other recommendations because “there remains a level of risk that needs to be effectively managed by the Programme”. The IPA recommended that MHHS Programme considers introducing a decision point at the end of SIT Functional Cycle to confirm the M10 date. This could either be to move M10 backwards within a two-month “M10 go-live range” to provide additional contingency, or to bring forward the M10 milestone by up to a month if testing is tracking ahead of plan.

Sponsor's decisions and reflections

We have considered the SRO's recommendations and the IPA's report. We have also considered the information set out in individual impact assessments and sought follow-up information where appropriate. We are extremely disappointed that the pace of testing was allowed to lag so far behind the required execution rate that a substantial delay became unavoidable. Nevertheless, having carefully reviewed the evidence, we accept that the proposed delay is now necessary. We have, therefore, decided to approve the changes proposed to the M10 milestone and subsequent milestones.

The IPA has made a series of recommendations that we support. For example, it has recommended that the Programme "should finalise the assessment of the impacts to downstream activities and milestones post-M10 and share with the IPA and Ofgem for review at the M10 decision point at the end of SIT Functional Cycle 3". We expect the Programme in this assessment to set out the scope for acceleration of post-M10 milestones. As part of this work, we expect to see a thorough examination of whether the duration of the migration period could be reduced from the current 18 months.

We note that, while the current MHHS Implementation Timetable includes a M16* milestone permitting a target range for cutting over to the faster settlement timetable, the documents submitted to us by the MHHS SRO on 24 October 2024 did not contain a proposal to modify it. We therefore expect the Programme to bring forward a proposal, in light of our decision on CR055, to modify the M16* milestone. MHHS Programme should do so once it has reported on the scope for accelerating post-M10 milestones.

Next steps

Implementation of MHHS on the fastest practical timescale remains a high priority. Given this, we expect all MHHS Participants to operate in accordance with the revised MHHS Implementation Timetable and so ensure the earliest possible delivery of MHHS-related benefits to consumers. However, Ofgem is determined that there should be no further delays in the delivery of this vital programme. To mitigate this risk, we are requiring Elexon to implement all the recommendations in the IPA's report and we will, early in 2025, be taking forward a package of regulatory measures intended to expedite the delivery of MHHS. We are minded to include in this package licence modifications in relation to the migration period and directions on MHHS Programme and MHHS Participants in relation to the rest of the testing period (and beyond), and amending the thresholds for Ofgem's decisions (as outlined in Ofgem's MHHS Governance Framework) to ensure that all changes to Tier 1 milestones are required to be approved by Ofgem.

1. Introduction

Section summary

Market-wide half-hourly settlement (MHHS) is a key enabler for the cost-effective decarbonisation of the energy sector. It is vital that the industry implements MHHS in a robust and timely manner so that its benefits can start to be delivered as soon as possible. Given significant delays to industry testing, MHHS Programme has proposed, via Change Request CR055, a series of changes to the MHHS Implementation Timetable. The MHHS SRO recommended on 24 October 2024 that Ofgem approve the proposed changes to the Level 1 milestones that would move by 3 or more months.

Context

- 1.1 Ofgem is committed to paving the way for the energy sector to decarbonise at the lowest cost to consumers. MHHS will enable this by ensuring that electricity suppliers and other retailers face the true costs of serving their customers. This will incentivise the development of new tariffs and services. MHHS is a key building block for our Decarbonisation Programme Action Plan⁴ and the Ofgem/HMG Smart Systems and Flexibility Plan.⁵
- 1.2 With other reforms, such as those to the access and charging arrangements, and network tendering for flexibility services, MHHS will enable system-wide benefits by incentivising more efficient use of existing and future electricity infrastructure. This will, for example, help integrate intermittent renewable generation and reduce the need for expensive new investment. We estimated in 2021 that MHHS will save consumers £1.6 billion to £4.5 billion by 2045.⁶

MHHS Implementation Timetable

- 1.3 In April 2021, Ofgem published its MHHS Decision.⁷ As part of the Decision we published a Transition Timeline for MHHS. This initial implementation

⁴ Ofgem, [Decarbonisation Programme Action Plan](#), February 2020.

⁵ Ofgem/BEIS, [Transitioning to a net zero energy system - Smart Systems and Flexibility Plan 2021](#), July 2021.

⁶ Ofgem, [MHHS Final Impact Assessment](#), April 2021.

⁷ Ofgem, [MHHS Decision](#), April 2021.

timetable was based on a high level Target Operating Model of the new arrangements.⁸

- 1.4 The Balancing and Settlement Code (BSC) sets out that each MHHS Participant shall “deliver the new and modified IT Systems and business processes required of it as part of MHHS Implementation, including the mobilisation, design, building and testing of such IT Systems and business processes and their integration with those of other MHHS Participants (and shall do so in accordance with the MHHS Implementation Timetable)”.
- 1.5 The MHHS Implementation Timetable is defined in the BSC as “the timetable for MHHS Implementation, as established under (and subject to change in accordance with) the MHHS Governance Framework”. The timetable includes a number of ‘Level 1’ milestones. As set out in the governance arrangements, changes to Level 1 milestones of 3 months or more can only be made with the approval of Ofgem as Programme Sponsor.⁹ All other changes may be made with the approval of the MHHS Senior Responsible Owner.
- 1.6 In August 2021, Ofgem decided that MHHS Programme should review the Transition Timeline once the detailed design architecture for MHHS had been finalised.¹⁰ Following that review, MHHS Programme proposed a Change Request, CR022, to revise and baseline the MHHS Implementation Timetable in line with the conclusions of the replan consultation. In June 2023, Ofgem approved the proposed changes to Level 1 milestones of 3 months or more.
- 1.7 Under the revised plan, central parties would be ready to accept migrating Meter Point Administration Numbers (MPANs) in March 2025 (the ‘M10’ Milestone) and migration for early MHHS adopters would start in April 2025 (the ‘M11’ milestone). This timing was predicated on systems integration testing (SIT) progressing at a specific pace. SIT has taken longer than expected and, despite attempts to increase testing execution rates, SIT remains well behind schedule. Consequently, MHHS Programme raised a Change Request, CR055, initially proposing to delay the M10 milestone by 5 months and to make consequential changes to succeeding milestones.

⁸ The April 2021 transition timetable was later revised after Ofgem approved Change Requests [CR001](#), [CR003](#) and [CR009](#).

⁹ Ofgem, [MHHS Governance Framework](#), November 2021.

¹⁰ Ofgem, [Decision on MHHS implementation arrangements](#), August 2021.

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- 1.8 The Change Request was issued on 18 September 2024 for impact assessment by all MHHS Participants. In light of feedback from industry and the IPA, MHHS Programme proposed a 6.5-month delay to M10 and M11 and new dates for later programme milestones.
- 1.9 A 6.5-month delay to central party readiness and the start of migration does not translate precisely into a 6.5-month delay for milestones M14-M16. The Programme's intention, in respect of the qualification (M14) and migration (M15) deadlines and the earliest date for cutting over to the faster settlement timetable (M16), is to preserve in CR55 the lengths of time specified in CR022 for completing those activities. Taking this approach, M14 would be delayed by 7.5 months and M15 and M16 would be delayed by 7 months.
- 1.10 On 18 October 2024, the MHHS Programme Steering Group discussed the revised proposal. In light of these discussions, the MHHS SRO decided to recommend that Ofgem approve the revised version of CR055. This document sets out our decision in relation to the level 1 milestones moving by 3 or more months.

2. Recommendations by the MHHS Senior Responsible Owner

Section summary

MHHS Programme raised CR055 after engagement with MHHS Participants about delays to SIT, how best to increase the pace of testing and how long would be needed to complete it. MHHS Participants were invited to assess the impact of the Change Request in accordance with the Change Control process for the Programme. Most respondents supported it. After discussion at the MHHS Programme Steering Group on 18 October 2024, the MHHS SRO submitted a formal recommendation on 24 October 2024 that Ofgem should approve the Level 1 milestones moving by 3 or more months (that is, M11, M14, M15 and M16).

Overall recommendation and rationale

- 2.1 On 24 October 2024, the MHHS SRO submitted a formal recommendation that Ofgem should approve the changes proposed in Change Request CR055 to the Level 1 milestones M11, M14, M15 and M16.¹¹ The recommendation followed discussion on CR055 at the Extraordinary Programme Steering Group (PSG) on 18 October 2024.
- 2.2 The Change Request was raised by MHHS Programme on 17 September 2024 and issued for Impact Assessment (IA) on 18 September. In the CR055 documentation, the Programme noted that “the progress of Systems Integration Testing (SIT) has been slower than outlined in the test execution model used to underpin the Programme Plan. This has meant that a delay to the M10 milestone, Central Systems Ready for Migrating MPANs, is unavoidable and the plan needs to be re-calibrated around a new, more achievable test execution timeline”. Although “measures were taken by the Programme and SIT participants to maintain the existing plan outlined in CR022, these [had] not sufficiently increased testing velocity across SIT Functional, Migration and Settlement phases”¹² to maintain the M10 date.
- 2.3 Before issuing the Change Request to industry, MHHS Programme held engagement sessions with Ofgem, the IPA, Central Parties, Code Bodies and

¹¹ These milestones are described in paragraphs 2.16-2.22 below.

¹² The quotes in this paragraph are from page 1 of the Change Request Form, September 2024.

MHHS Participants. On issuing the Change Request, MHHS Programme made clear that, while Ofgem (and the IPA) had seen the proposed timeline changes, they had not endorsed them and that any Ofgem endorsement could only come following a detailed review of the IA findings, discussion by the PSG and recommendation from the SRO to Ofgem.

Description of and reasons for the Level 1 milestone changes

- 2.4 The Change Request originally set out that the date for central parties being ready to accept MPANs under the new MHHS arrangements (the M10 milestone) should move from March 2025 to August 2025 – a delay of 5 months. However, after considering comments from industry and the IPA, the Programme revised the proposal such that M10 would move to late September 2025 – a delay of 6.5 months. The proposals for all succeeding milestones reflect this revision to M10. Under the revised CR055, migration of MPANs would begin in late October 2025 and would complete in May 2027. Cutover to the faster settlement timetable would happen in July 2027.
- 2.5 The following paragraphs set out MHHS Programme’s reasons for proposing these milestone changes. They outline why SIT has been delayed, the measures taken to try to correct matters, the alternative testing approaches considered, and the proposed length of the delays. For more details see the Change Request Form and associated documentation on the MHHS Programme website.¹³

Why has testing progress been slower than expected?

- 2.6 The key issue driving all the proposed milestone changes is the slow progress in the SIT Functional phase. In this phase, systems and their interfaces are being end-to-end tested for compliance with the MHHS Design using pre-defined business scenarios. According to MHHS Programme, progress has been slower than planned because:
- MHHS Participants and stakeholders significantly underestimated the complexity of MHHS and its associated multi-party testing. MHHS involves “true end-to-end testing across those multiple participants and the associated

¹³ MHHS Programme [CR055: Amendments to M10 and Corresponding Milestones - MHHS Programme](#), October 2024.

complexity of setting up consistent, coherent test data across those multiple parties to make tests work”;

- related to this, MHHS Participants have “not mobilised enough resource to move at the planned pace. Pace in one test area has been demonstrably at the cost of pace in another, which evidences a lack of overall capacity” and tests have “proven difficult for Participants to understand and prepare for”. The volume of clarification questions has been high and defects (including central party defects) have been higher than assumed in plans;
- significant maintenance releases have been needed, and “code uplifts during maintenance windows have not just addressed defects but have also had to accommodate materially significant new functionality which could not be delivered before SIT Functional testing started”. Adding new functionality in maintenance windows has led to an uptick in blocking defects, which has slowed progress;
- multi-party testing cohorts require leadership and choreography, and there has been “a lack of management resources in some suppliers (or software providers acting in supplier roles)” and “an over-reliance on MHHS Programme test coordinators”, which has meant “time being lost as tests are initiated and as they are handed off between participants”;
- although the SIT MVC model was designed to drive competition among cohorts that would naturally accelerate the pace of testing, in practice there is a lack of incentives for volunteer SIT Participants (and cohorts) to move faster. MHHS Programme further notes that “no obvious ‘front runners’ [are] evident so far in SIT”, which means that “no Participants are feeling exposed for lack of pace and so their responses to making testing faster (e.g. resourcing uplifts) have been slow”.

Mitigating actions and alternative approaches to try to protect M10

- 2.7 MHHS Programme took various measures to try to increase the pace of testing. These included implementing a ‘sprint-based’ model to focus attention on clear, specific targets; holding bilateral meetings with Participants to understand the causes of slow progress; providing “greater ‘hands on’ direction and management to cohorts”; re-pairing cohorts and removing their anonymity to drive efficiencies; setting up “cohort ‘trials’ to support selected cohorts through execution and to understand pain points in

the process”; escalating matters rapidly to the Fast Track Implementation Group, and the MHHS SRO writing to Board level sponsors. However, these measures failed to produce an uptick in testing velocity consistent with meeting existing programme milestones for testing and, as a result, the M10 milestone (and later ones).

2.8 MHHS Programme also considered the following alternative approaches in an effort to preserve the M10 deadline:

- phasing test completion and migration based on meter type;
- placing all Participants in a single cohort to remove a current issue whereby if, for example, an agent cannot complete a particular step in a test, the test for that cohort goes on hold. If instead there were a single cohort, a supplier could use a different agent and testing would not be interrupted;
- ending SIT after SIT Functional is completed and requiring SIT parties to complete their testing using qualification tests; and
- dissolving the cohorts entirely, requiring only central parties to undertake SIT and requiring all other parties to use the qualification process to demonstrate their fitness to operate under MHHS.

2.9 Each of these approaches was assessed and rejected by MHHS Programme generally on the basis that they would risk creating delays longer than that proposed in CR055.

How long should testing take to complete?

2.10 As noted above, the measures taken by MHHS Programme to improve test execution rates had only limited effects in the first two cycles of SIT. According to MHHS Programme, it became “increasingly clear that the test modelling was more ambitious than the industry could collectively achieve”. MHHS Programme therefore sought and obtained models from each SIT cohort to “establish the appropriate time required to complete testing in the most robust, comprehensive and efficient manner”. Based on that information, and “incorporating key assumptions and principles” from all the models, MHHS Programme arrived at what it considered the “most optimal” timeframe.

2.11 In the version of CR055 then issued for impact assessment, MHHS Programme proposed that the MVC should complete SIT in July 2025 and

that central parties should be ready to accept MPANs in August 2025. On that basis, migration would be delayed by 5 months and start in September 2025. In the Change Request Form, MHHS Programme acknowledged three risks:

- that assumptions made in the modelling that would enable testing velocity to improve could be incorrect or ineffective, which would mean that M10 could be at risk of further delay;
- that MHHS Participants cannot increase their testing throughput to the levels required to meet the new dates in the Programme plan; and
- that the MHHS Programme team cannot deliver test management efficiencies needed to support MHHS Participants to increase their testing speed.

2.12 All but one SIT Participant responded to the Change Request. While two parties believed that the delay could be shorter, the “overwhelming majority” agreed with the proposal though many made caveats around the need for additional contingency. Additional contingency was incorporated into the proposal producing a 6.5-month delay to the M10 and M11 milestones.

The revised CR055 proposal

2.13 The revised CR055 proposal comprises a 6.5-month extension to the previous Programme baseline agreed as part of CR022. This extension is made up of:

- an extension of the SIT Functional and Migration test phases, previously scheduled to finish in January 2025 and now due to finish in August 2025;
- an extension of the SIT Settlement timeline to run to the end of 2024;
- SIT Non-Functional and Operational test phases would be deferred to 2025, starting in January and concluding in May 2025;
- a delay to Non-SIT LDSO Qualification testing, to commence in January 2025;
- adding 4 weeks of contingency at the end of SIT Functional and SIT Migration phases.

2.14 MHHS Programme considered that the revised proposal now had an “adequate degree of contingency built in” that would “cover any further Interim Releases or defect fixes that might surface”. MHHS Programme would also continue its efforts to “claw back contingency where possible by looking at opportunities to rationalise testing (reduce repeated tests where possible, whilst ensuring Test scope/coverage remains uncompromised)”.

- 2.15 Under the proposal, the revised Programme Plan would accommodate an earlier go-live in August 2025, should the MVC be progressing ahead of pace. A checkpoint has been introduced in February 2025 to assess the prospects. Should MVC cohorts demonstrate that they are ahead of schedule, they could go live and commence migration earlier than October 2025.¹⁴ However, the default proposition under CR055 is, as noted above, that the MVC will need until August to complete SIT and, consequently, central parties will not be ready to accept MPANs until September 2025.

Migration start (milestone M11)

- 2.16 A key phase in delivering MHHS is to migrate approximately 33 million MPANs over an 18-month period from the existing non-half hourly arrangements to MHHS. CR055 proposed to move the start of migration from early April 2025 to late October 2025. This is a 6.5 month delay to a Level 1 milestone.
- 2.17 MHHS Programme believes a delay of 6.5 months is required in order allow sufficient time for the MVC to complete SIT. Under CR055, the MVC would complete¹⁵ SIT in late August 2025. After that, central parties would be ready to accept migrating MPANs in late September 2025 and then migration would begin a month later. The one-month gaps between the MVC completing SIT and M10, and between M10 and M11, are consistent with the existing plan.

Qualification (milestone M14)

- 2.18 Qualification is the process for assuring that systems and processes (developed outside BSC Central Systems) that may interact with BSC Systems and other participants' systems will not introduce significant risks or issues to settlement. There is a similar qualification and performance assurance process for the REC. Given the importance of these processes, a Level 1 milestone is associated with their completion (the M14 milestone).
- 2.19 To incentivise timely qualification, Ofgem decided in 2021 that if suppliers had not qualified for the new settlement arrangements by the M14 milestone, they should be prohibited from taking on new customers. Under CR055, the deadline by which suppliers must be able to accept MPANs under the new

¹⁴ More generally, MHHS Programme will explore opportunities to expedite downstream activities and any possible changes will be brought into the M10 Checkpoint in February 2025.

¹⁵ Specifically, the SIT MVC Test Exit Report would be approved on 22 August 2025.

MHHS arrangements should move from March 2026 to October 2026. This is a 7.5-month delay and Ofgem’s approval is required.

- 2.20 Under the current MHHS Implementation Timetable, the qualification deadline is almost 14 months after the start of qualification testing by suppliers and agents. This period comprises 12 months of testing and 2 months for securing approvals from the relevant Performance Assurance Boards. Under CR055, the same duration would apply.

Migration ends (milestone M15)

- 2.21 CR055 proposes to move the end date for migration from October 2026 to May 2027. This is a 7-month delay, which takes into account a 2-week shutdown of industry activity over Christmas 2026. Under the existing timetable, the migration period would take 18 months from the M11 date. Under CR055, this duration would be essentially unchanged (ie, there would be 18 months of activity but also a 2-week shutdown over Christmas 2026).

New settlement timetable (milestone M16)

- 2.22 In our 2021 decision, we decided to make the settlement process more efficient by shortening the timeframes. Under CR055, the date for cutting over to the new settlement timetable moves from December 2026 to July 2027. This is a 7-month delay, again reflecting the 2-week industry shutdown over Christmas 2026. Cutover would take place following a 2-month stabilisation period after migration is completed. A 2-month gap between M15 and M16 is consistent with the current MHHS Implementation Timetable.
- 2.23 Although the current timetable makes provision for a six-month range¹⁶ for cutover (ending with the M16* milestone in May 2027), CR055 did not formally seek to revise this range.

Closing remarks

- 2.24 The SRO recommended that Ofgem approves CR055 on the basis that a 6.5-month delay “incorporates the most appropriate amount of time to complete SIT with a degree of contingency” and that it would “ensure that all dependencies into go-live can be achieved, including but not limited to associated qualification activities, Licensed Distribution System Operator

¹⁶ The rationale for the range was that, whilst a 2 months’ stabilisation period after M15 was the minimum that might be necessary, this might prove insufficient based on operational performance metrics during and after migration.

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qualification testing, central party readiness to take on business as usual operations, and readiness to commence migration”.

3. Report by the Independent Programme

Assurance provider

Section summary

The IPA reported on CR055 at the PSG meeting on 18 October 2024. The IPA's view was that the initial proposal of a 5-month delay carried a high level of risk and that the revised version, proposing a 6.5-month delay, "better balances opportunity and risk". The IPA recommended approval of the revised CR055 but made other recommendations because "there remains a level of risk that needs to be effectively managed by the Programme". For example, the IPA recommended that MHHS Programme considers introducing a decision point at the end of SIT Functional Cycle to confirm the M10 date. This could either be to move M10 backwards within a two-month "M10 go-live range" to provide additional contingency, or to bring forward the M10 milestone by up to a month if testing is tracking ahead of plan.

The IPA's role during the Change Request

- 3.1 The IPA carried out its original assessment of CR055 in September and early October 2024. The assessment was based on assurance activities¹⁷ during the development of the proposal and on a review of Programme Participant Impact Assessments. The IPA then prepared a report, dated 10 October 2024, that was provided as input for the PSG meeting on 18 October 2024.
- 3.2 In light of discussions at the Extraordinary PSG meeting on 18 October 2024, the IPA updated and finalised its report and submitted it to Ofgem on 22 October 2024. The updated report provided additional commentary on the revised version of the CR055 proposal.

The IPA's report, recommendations and conclusions

Overall recommendation

- 3.3 The IPA's report recommended Ofgem approval of CR055. However, the report contained a series of recommendations intended to reduce the risk of further delays to testing that might affect timely delivery of MHHS go live.

¹⁷ These activities included reviewing planning documents and other evidence from MHHS Programme; attending Programme-led industry engagement sessions, SIT post-sprint checkpoints with MHHS Programme, and Fast Track Implementation Group meetings; and holding bilateral calls with a sample of SIT participants and, separately, calls with MHHS Programme and Ofgem.

The IPA is tracking, and will continue to track, completion of these recommendations. The IPA also noted that “there remains a level of risk that needs to be effectively managed by the Programme”.

IPA’s assessment of the original version of CR055 (a 5-month delay)

3.4 The IPA considered that a 5-month extension to M10 “represented a ‘best case’ scenario that contained a high level of risk”. The IPA believed, in light of its review of supporting evidence and of IA responses, that the proposal “contains a number of key risks, assumptions and uncertainties”, including:

- test execution models were still to be defined for SIT Regression, Settlement, SIT Non-functional, SIT Operational and non-SIT LDSO Qualification Testing and there was uncertainty over the detailed scope of these phases amongst Participants;
- progress in SIT Settlement testing (a key test phase to provide assurance over the settlement calculation) had fallen “well short” of what had been planned and “risk remains over its timely delivery based on the prior experience”;
- uncertainty amongst Participants not only over how service management will operate after go-live but also on the plans for aligning and testing the service management arrangements across industry; and
- the “limited” contingency in the plan to accommodate any “invalid assumptions, unexpected events or systematic slow progress in one or more of the remaining test phases”.

3.5 Given this “high degree of risk” to the achievement of plan milestones, the IPA concluded that “greater contingency is required in the plan to accommodate potential delays in specific plan activities”.

3.6 In addition, the IPA noted that since the publication of CR055 other risks and issues had emerged that “potentially invalidate aspects of the re-calibrated plan adding to the high level of risk already contained within it”. These include:

- an additional Interim Release (IR8.4) was required to unblock SIT Functional and non-SIT LDSO Qualification Testing tests;
- a new change to the MHHS Design (agreed via Change Request CR056) had introduced additional development time and testing. Accommodating this

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within CR055 had reduced the contingency and so increased the delivery risk; and

- delivery delays in key reports required for Settlement Testing had led to the need to re-plan the Settlement Testing CR055 timeline.

3.7 The IPA noted that these emerging risks and issues would “need to be incorporated into another iteration of the re-calibrated plan prior to further review and approval”.

IPA’s associated recommendations

3.8 The IPA stated that any CR055 decision should be based on a plan that supports achievement of M10 at the earliest possible date and at an acceptable level of risk (balancing time, cost, quality and risk of a further delay). To that end, the IPA made four overall recommendations that should be completed before a PSG discussion and an Ofgem decision on CR055. (The IPA also made 12 detailed recommendations with target completion dates.)

Overall recommendations

1. Impact assess and address the key risks and assumptions raised in the IPA’s report of 10 October 2024 and in Participant IAs: MHHS Programme should impact assess and address the risks, assumptions and uncertainties raised by within our report and by Participants in their CR055 IA responses. These should be incorporated into the plan or discounted with a supporting rationale.

2. Assess the impacts of risks and issues that have emerged since CR055 was published: given the emerging risks and issues since the publication of M10, the MHHS Programme should “immediately assess their impacts on the re-calibrated plan and incorporate them into the further iteration of the plan”.

3. Build additional contingency into the plan: additional time should be incorporated into the plan to build further contingency for the completion of test phases. This is “likely to require M10 to be moved at least a further month beyond the proposed date of 13 August 2025” and should be determined based on the level of risk/uncertainty after completion of the above recommendations.

4. Formalise an “M10 go-live range” following the planned M10 date with an early decision point of its use: an “M10 go-live range” of two months should be incorporated into the plan to provide a formalised contingency window. An early decision point should be scheduled to assess whether delivery is on-track for the

planned M10 date or whether a portion of the planned contingency needs to be used. The IPA stated that “consideration should also be given at the decision point to bringing forward M10 if progress is ahead of schedule”. The IPA recommended scheduling the decision point at the end of SIT Functional Cycle 3 in February 2025. At that point, there should be greater certainty in the completion of SIT Functional, SIT Migration, Settlement, SIT Non-functional, SIT Operational and non-SIT LDSO testing. This would “enable the M10 date to be confirmed with greater confidence” and provide sufficient planning time for Participants.

Other recommendations

3.9 As noted above, the IPA made a series of other recommendations to be implemented – with one exception - by 29 November 2024. These included:

- MHHS Programme to define the test execution models for SIT Functional (Settlement), SIT Non-Functional, SIT Operational, SIT Regression and Non-SIT LDSO testing phases and finalise and communicate the detailed scope where this remains outstanding;
- Code Bodies to review the feasibility of allowing participants to move earlier Qualification waves and communicate this to MHHS Participants;
- MHHS Programme to work alongside the Code Bodies to finalise the SIT Gap Analysis to ensure that the QT scope can be finalised and communicated to Participants;
- MHHS Programme to develop a dashboard that provides a snapshot view of tests completed against plan and other key performance indicators;
- MHHS Programme to formalise course corrective actions at the end of each Sprint to be implemented before subsequent sprints; and
- before the commencement of each test phase, MHHS Programme to finalise the reporting approach to enable tracking the progress of SIT Settlement, SIT Non-Functional, SIT Operational and non-SIT LDSO testing against their test execution models.

IPA’s assessment of the revised version of CR055 (a 6.5-month delay)

3.10 After reviewing Programme Participant responses and the IPA’s suite of recommendations, MHHS Programme revised CR055 to allow an extra six weeks for testing. This had the effect of moving the proposed M10 date from 13 August 2025 to 24 September 2025. The IPA acknowledged that the

revisions were “aligned with our overall recommendations”. In the IPA’s view, the revisions were “pragmatic in addressing the risks and concerns raised and the revised plan better balances opportunity and risk”.

3.11 In particular, the IPA stated that the revised proposal reduced delivery risks as follows:

- incorporating four more weeks into SIT Functional and SIT Migration provided additional contingency for unplanned disruptions or delay in test execution;
- a two-week gap analysis sprint at the end of SIT Functional Cycle 3 provided additional time for Interim Release (IR8.4) and for delivery and testing of the CR056 solution; and
- the additional six weeks provided “a level of contingency to accommodate any delays” in the following key activities where risk or uncertainty remains:
 - SIT Regression, SIT Non-functional, SIT Operational and non-SIT LDSO Qualification Testing if assumptions over their duration do not prove valid once test execution models are developed;
 - SIT Settlement, given the slow progress to date; and
 - delivery and testing of the service management arrangements. The IPA noted that this “remains an area of risk and the IPA is currently reviewing Helix¹⁸ plans to understand the level of risk following escalation by the MHHS SRO”.

3.12 Overall, the IPA concluded that “there remains a level of risk that needs to be effectively managed” by MHHS Programme, “as would be expected for a programme of this size and complexity”. Consequently, the IPA stated that

- the “recommendations from our original report should therefore still be completed by the Programme to help impact assess and manage this remaining risk” and

¹⁸ ‘Helix’ is the project name given to Elexon’s own internal activities as a Programme Participant to prepare for and implement MHHS across the processes and systems it is responsible for providing. Having reviewed the Helix plans, the IPA has made a series of recommendations which “if completed by Helix to the right level of quality should provide the additional confidence required that they will deliver” on their Participant obligations overall. We further understand from the IPA that “Helix has committed to completing these actions in line with the target due dates”. The IPA will track completion of these recommendations and report to Ofgem.

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- the introduction of a decision point at the end of the SIT Functional Cycle to confirm the M10 date within the “M10 go-live range is an “important mechanism to enable M10 contingency to be enacted in a controlled manner should it be needed”.

4. Sponsor's decision and reflections

Section summary

Decisions

We have considered the SRO's recommendations and those contained in the IPA report. We have also considered information set out in individual impact assessments and have sought follow-up information where appropriate. Taking all the evidence into account, Ofgem has decided to approve the proposed changes to the Level 1 milestones M11, M14, M15 and M16. Ofgem also endorses the IPA recommendations in relation to CR055, with the exception being that we do not accept the continuance of a target range for M10.

Reflections

Ofgem is extremely disappointed that such a significant delay has proved to be necessary. MHHS remains a high priority for Ofgem and government as a means of enabling the lowest cost decarbonisation of the energy sector. MHHS Participants must comply with the revised MHHS Implementation Timetable and ensure the earliest possible delivery of MHHS-related benefits to consumers. MHHS Programme must work collaboratively and effectively with MHHS Participants to facilitate this. To reduce the risk of further delays, Ofgem will, in early 2025, take forward a package of regulatory measures intended to expedite MHHS delivery. In this package we are minded to include licence modifications in relation to the migration period, directions on MHHS Programme and MHHS Participants in relation to the rest of the testing period (and beyond), and requiring all proposed changes to Tier 1 milestones to be determined by Ofgem under a revised MHHS Governance Framework.

Decisions on the Level 1 milestones

- 4.1 Ofgem has carefully considered all the evidence provided by the MHHS SRO and the IPA in relation to the Change Request. We have reviewed all the responses to the IA. Ofgem has also held discussions with MHHS Programme, the IPA and other stakeholders. In light of both the written evidence and our engagement with interested parties, Ofgem considers that a substantial delay to MHHS go-live is unavoidable. The paragraphs below set out why we have come to this view. The chapter then sets out and explains our decisions in relation to delaying the Level 1 milestones M11, M14, M15 and M16.

Past and future testing performance

- 4.2 Two parties did not support a delay. They believed that with some rationalisation of testing the existing timeline could be preserved. MHHS Programme explicitly considered whether the delay could be restricted to 3 months, such that central systems would go live in June rather than March 2025. However, this timeline appears not to be feasible because:
- Elexon as a Programme Participant (via the 'Helix' project) is unlikely to be able fully to deliver the new central settlement system in time. Without that infrastructure in place, migration cannot start regardless of suppliers' states of readiness. The IPA has stated that Helix planning is "not currently at a sufficient level of detail to provide confidence in its deliverability" within the context of a 6.5-month delay, let alone a 3-month or other, short delay;
 - in order to be confident that the end-to-end design has been properly and consistently implemented, MHHS go-live requires at least two cohorts to have successfully completed testing. Based on testing performance to date and the cohort scenarios submitted to MHHS Programme, that will not happen in time for the current go-live date. According to MHHS Programme, even the best-performing cohort cannot meet the current deadlines.
- 4.3 In summary, across the SIT phase, delays are largely the result of inherent complexity, high defect levels, insufficient resources and a lack of leadership within multi-party cohorts. These problems have persisted throughout SIT.
- 4.4 MHHS Programme is considering the scope to rationalise testing, thereby reducing the burden on parties. MHHS Programme's position is that, to a large extent, end-to-end testing must be completed in full to prove the MHHS design and so ensure that the new settlement arrangements operate efficiently and effectively from go-live onwards. Ofgem's position is that carrying out remedial activity once MHHS has gone live is likely to be even more time-consuming and expensive to fix than it would be in SIT, thus raising MHHS implementation costs that would ultimately be borne by consumers. However, we expect MHHS Programme to give serious consideration to rationalising SIT wherever the subsequent risk to consumers can be shown convincingly to be low.
- 4.5 We also expect MHHS Programme to keep under constant review whether there is a need to adapt the testing approach more significantly. In particular, if testing milestones come under renewed pressure, Ofgem will expect MHHS Programme to consider, in a transparent and thorough manner that takes

account of industry views, all options that might best preserve the MHHS Implementation Timetable as revised by CR055.

- 4.6 MHHS Programme will be reporting formally in February 2025 on whether the industry is on track to meet the revised M10 milestone. At present, on the basis of all the information currently available to us, Ofgem accepts that late August 2025 is the earliest date realistically possible for the MVC to complete SIT.¹⁹ Ofgem also accepts that, as a consequence, September 2025 is the earliest date realistically possible for the central parties to be ready to accept MPANs (the M10 milestone).
- 4.7 The existing MHHS Implementation Plan includes a 2-month range for the M10 milestone. The M10* deadline is currently in May 2025. CR055 did not include a proposal to move the M10* in line with the proposed move to the M10 deadline. Ofgem, however, would not have been inclined to support that change if it had been proposed. This is because MHHS Programme and almost all of the industry has agreed that M10 can be completed in August. We intend to hold MHHS Programme, and the industry, to that timetable.

Migration start (milestone M11)

- 4.8 CR055 proposed to move the start of migration from early April 2025 to late October 2025. This is a 6.5 month delay to a Level 1 milestone. As noted above, we accept MHHS Programme's conclusion that the MVC is unlikely to be able to complete SIT until late August 2025. We further note that the one-month gaps between the MVC completing SIT and M10, and between M10 and M11, are consistent with the existing plan. On that basis, Ofgem approves the proposed change to milestone M11.

Qualification (milestone M14)

- 4.9 To incentivise timely qualification, Ofgem decided in 2021 that if suppliers had not qualified for the new settlement arrangements by the M14 milestone, they should be prohibited from taking on new customers. Under CR055, the deadline by which suppliers must be able to accept MPANs under the new MHHS arrangements should move from March 2026 to October 2026. This is a 7.5 month delay and Ofgem's approval is required.

¹⁹ Specifically, the SIT MVC Test Exit Report would be approved on 22 August 2025.

- 4.10 Under the current MHHS Implementation Timetable, the qualification deadline is almost 14 months after the start of qualification testing by suppliers and agents. This period comprises 12 months of testing and 2 months for securing approvals from the relevant Performance Assurance Boards. Under CR055, the same duration for qualification would apply. On that basis, Ofgem approves the proposed change to milestone M14.

Migration ends (milestone M15)

- 4.11 CR055 proposes to move the end date for migration from October 2026 to May 2027. This is a 7-month delay, which takes into account a 2-week shutdown of industry activity over Christmas 2026. Under the existing timetable, the migration period would take 18 months from the M11 date. Under CR055, this duration would be essentially unchanged (ie, there would be 18 months of activity but also a 2-week shutdown over Christmas 2026). On that basis, Ofgem approves the proposed change to milestone M15.

New settlement timetable (milestone M16)

- 4.12 Improving the efficiency of the settlement process by shortening the timeframes involved is an important part of the new arrangements. The new settlement timetable should reduce the amount of collateral needed to cover suppliers' positions. Reducing settlement collateral requirements should also reduce entry barriers. It therefore remains important that the industry cuts over to the new settlement timetable at the earliest practicable point.
- 4.13 Under CR055, the date for cutting over to the new settlement timetable (M16) would move from December 2026 to July 2027. This 7-month delay reflects the 7-month delay in the M15 milestone and retains the existing 2-month gap between the M15 and M16 milestones. On this basis, Ofgem approves the proposed change to milestone M16.

Milestone M16*

- 4.14 Ofgem has always recognised that a period of stabilisation would be necessary after the migration phase has completed before moving to the faster settlement timetable. In our April 2021 MHHS decision we stated that "the decision on when the settlement timetable should be reduced should be taken nearer the time and [taking into account] market monitoring against trigger points". However, we made clear that it should be "introduced as soon

as practicable...[and] if this is longer than 4 months after the end of migration then this decision should be brought to Ofgem".²⁰

- 4.15 Ofgem's approval of CR022 in June 2023 introduced a six-month range for cutover running from December 2026 to May 2027 (ending with M16*). CR055 did not include an explicit proposal to revise the M16* milestone in a manner consistent with the proposed changes to milestones M10, M11 and M14-M16. We expect that MHHS Programme will bring forward a proposal, in light of our decision on CR055, to modify the M16* milestone. MHHS Programme should table the proposal once it has reported in early 2025 on the scope for accelerating post-M10 milestones.

Reflections

- 4.16 The proposed delay will increase industry implementation costs and delay the onset of benefits realisation. Based on industry responses to the CR055 Change Request, MHHS Programme has submitted evidence to Ofgem about the likely materiality of the cost increase. We have reviewed this evidence. Even after taking into account the additional costs that might be caused by a delay to MHHS, total implementation costs still appear to remain an order of magnitude lower than the quantified benefits that we estimated would result from introducing MHHS (to which the benefits we could not quantify would be added)²¹. Ofgem therefore remains of the view that MHHS can be expected to deliver significant net benefits to energy consumers in Britain.
- 4.17 Although Ofgem has decided to approve CR055, we are extremely disappointed that MHHS is now being delayed by 6.5 months little more than a year after the Programme Replan came into effect.²² It is unacceptable that the pace of testing was allowed to lag so far behind the required execution rate, without significant remedial activity, that a substantial delay to MHHS became unavoidable. This cannot be allowed to recur. Indeed, we are determined there should be no further delays in the delivery of this vital programme. We will seek to introduce a package of regulatory measures intended to expedite the delivery of MHHS and avoid further delays.

²⁰ Ofgem, MHHS Decision, pages 106-107.

²¹ [MHHS Final Impact Assessment](#), Ofgem, April 2021.

²² By way of Ofgem's decision to approve [CR022 \('MHHS Programme Replan'\)](#), Ofgem, June 2023.

- 4.18 We acknowledge that testing the end-to-end MHHS design is complex, especially under an approach that typically involves multi-party cohorts. However, we are greatly concerned at the evidence pointing clearly towards both a lack of Programme leadership within testing cohorts and MHHS Participants allocating insufficient resources to undertake parallel testing activities successfully at the pace required to meet the MHHS timetable. We are equally concerned to ensure that the central parties are fully ready to accept MPANs by the new M10 date.
- 4.19 We will develop the regulatory package to address these shortcomings. For example, we are minded to issue directions to MHHS Programme to
- provide bespoke, regular reports to Ofgem senior management on the progress of testing, qualification and migration;
 - report to the industry and Ofgem, on dates to be determined, about progress in relation to the M10 milestone and, if necessary, about any remedial measures to be implemented to ensure that the milestone is met (such remedial measures could relate to resources and working hours); and
 - report to the industry and Ofgem, at a date to be determined, on the scope to bring forward post-go live activities/milestones. As part of this activity we would expect MHHS Programme to conduct a transparent and thorough examination of whether the migration duration period could be shorter than 18 months.
- 4.20 We are also minded to issue directions for example to
- all MHHS Participants to comply in a timely manner with any reasonable requests made by MHHS Programme; and
 - Elexon as a Programme Participant to develop, consult on and implement an operational testing plan for Helix and prepare related governance code modifications as necessary on a timescale consistent with the MHHS Implementation Timetable.
- 4.21 We are also minded to modify supplier licences to introduce requirements to meet programme milestones relating to qualification and migration. We intend that these licence amendments would refer to the dates of the milestones as well to the milestones themselves. We are also minded to modify LDSO licences to incorporate performance targets for processing migrated MPANs.

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- 4.22 Finally, we are minded to modify the MHHS Governance Framework to make Ofgem the decision-maker for any changes to Tier 1 Programme milestones.
- 4.23 We will develop our thinking over the next few weeks with a view to taking forward the regulatory package early in 2025. The items mentioned above should not, therefore, be considered as an exhaustive list.

5. Next steps

Section summary

In light of Ofgem's decision to approve the proposed changes to the M11, M14, M15 and M16 milestones, all affected parties must ensure that they allocate the resources needed to ensure that they comply with the revised MHHS Implementation Timetable. Ofgem will take forward a package of regulatory measures intended to avoid further delays.

- 5.1 All affected parties must take the necessary steps to ensure that they operate in accordance with the revised MHHS Implementation Timetable and so ensure the earliest possible delivery of MHHS-related benefits to consumers.
- 5.2 Ofgem will, as noted in the previous section, take forward a package of regulatory measures intended to expedite MHHS delivery and avoiding further delays.



Melissa Giordano
Deputy Director Retail

Signed on behalf of the Authority and authorised for that purpose.