
Distribution Connection and Use of System Agreement (DCUSA) – DCP445 'Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements'

Decision:	The Authority ¹ directs that this modification be made ²
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties
Date of publication:	26 November 2024
Implementation date:	On the same date as the M8 Milestone ('Code Changes Delivered') in the baselined MHHS Implementation Timetable

Background

In September 2021, Ofgem approved the Authority Led SCR Modification Proposal P423 'Market-wide Half Hourly Settlement (MHHS) Implementation and Governance Arrangements'. With effect from October 2021, P423 modified the Balancing and Settlement Code (BSC) to require the MHHS Senior Responsible Owner (SRO) to monitor and coordinate the development of the modifications to other industry codes, including the Distribution Connection Use of System Agreement (DCUSA), which are required for MHHS Implementation (in conjunction with the MHHS Affected Code Bodies and in consultation with MHHS Participants) and ensure that those modifications are presented to the Authority for implementation.

In response, the SRO established two governance groups to take forward this area of work. These were the Cross-Code Advisory Group (CCAG) and the Code Drafting Working Group (CDWG). The CDWG led on the drafting and review of the code changes necessary to reflect the baselined MHHS design, while the CCAG centrally coordinated, monitored and managed the code changes recommended by the CDWG. The MHHS Programme managed several rounds of consultation enabling wider Programme Participants to engage with and influence the code text as it developed. On 21 August 2024, the CCAG agreed that this legal text properly reflected the MHHS Design and the CCAG Chair baselined it in accordance with the M6 deadline in the MHHS Implementation Timetable. The Chair of the CCAG, on behalf of the MHHS SRO, then wrote to Ofgem to request that

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

we raise a modification bringing the draft provisions into effect. After satisfying ourselves that the baselined legal text was consistent with our April 2021 decision document and the objectives of the Electricity Settlement Reform SCR, we raised the modification proposal on 4 September 2024. This was an Authority Led SCR modification requiring the DCUSA Panel and Secretariat to consult on it and report to Ofgem by 8 November 2024.

The modification proposal

The proposal involves changes to sections 1-3 of the DCUSA and to 9 DCUSA Schedules. DCP445 will ensure that the appropriate obligations, processes and provisions for the new MHHS arrangements, which have been developed and consulted on as part of the MHHS Programme, are introduced into the DCUSA. For full details see the DCUSA website.³

DCUSA Parties' recommendation

Ofgem received the Change Declaration for DCP445 on 8 November 2024. The Change Declaration set out that, in each Party Category where votes were cast, there was unanimous support for the proposal. Therefore, in accordance with the DCUSA's Weighted Vote procedure, the Parties' recommendation to the Authority was that the proposed variation to the DCUSA be accepted.

Our Decision

We have considered the issues raised by the proposal and in the Change Report dated 17 October 2024. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that:

- implementation of DCP445 will better facilitate the achievement of the Applicable DCUSA objectives;⁴ and
- directing that DCP445 be approved is consistent with our principal objective and statutory duties.⁵

³ [Implementation of Market-wide Half Hourly Settlement \(MHHS\) Arrangements - DCUSA](#)

⁴ The Applicable DCUSA Objectives are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence.

⁵ The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

Reasons for our decision

We consider that DCP445 will better facilitate the following DCUSA General Objectives:

- 1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks*

We note that the DCUSA Panel, in the Change Report dated 17 October 2024, agreed that the Change Proposal will better facilitate DCUSA General Objective (1). This was because it provides the framework, within DCUSA (and alongside the changes to other affected industry codes) for MHHS to be successfully implemented. Ofgem agrees with the Panel. MHHS will ensure that charges to suppliers for wholesale electricity more accurately match actual consumption, which will incentivise suppliers to offer new tariffs and products that encourage a more flexible use of energy and help consumers to lower their bills. MHHS will also reduce the need for infrastructure investment and so facilitate more efficient use of (generation and) network assets.

- 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity*

In the Change Report dated 17 October 2024, the DCUSA Panel agreed that the Change Proposal will better facilitate DCUSA General Objective (2). Again, this was because it contributes to the successful implementation of MHHS, which in turn will ensure that electricity suppliers and other retailers face the true costs of serving all of their customers, incentivising the development and offering of new tariffs and services encouraging customer behaviour which contributes to a more cost-effective electricity system. This, alongside reduced barriers to entry from faster and more efficient settlement processes, will increase competition and facilitate new business models in the energy market. Ofgem fully agrees with this.

- 4. The promotion of efficiency in the implementation and administration of the DCUSA*

The DCUSA Panel agreed that the Change Proposal would, if implemented, better facilitate DCUSA General Objective (4). This was because the proposal ensures that the

DCUSA aligns with the changes made to other codes associated with the MHHS Programme. Failure to ensure alignment would create risks for the successful delivery of MHHS as well as adverse impacts for DCUSA Parties, who would be unable to use the DCUSA processes needed to support the new MHHS arrangements. This in turn would create adverse effects for consumers. Ofgem agrees with the Panel's view.

We consider that the proposal would have a neutral impact on the other applicable objectives.

Further remarks

Implementation costs

Ofgem's Final IA estimated quantified net benefits to GB energy consumers of £1.6bn to £4.5bn over the period 2021-45. The Final IA also noted that implementing MHHS (including third party access to HH consumption data) should deliver significant additional benefits that could not be quantified in advance arising from increased competition, innovation and consumer choice. As part of the Final IA, Ofgem sought to estimate the costs of implementing and operating under the new MHHS arrangements. Our central cost estimate was £541.3m over the period 2021-2045.

Earlier this year, to facilitate an assessment of the impact of the MHHS-related code modifications, Ofgem asked MHHS Programme to seek information on a voluntary basis from Programme Participants about the costs of implementing and operating under the new MHHS arrangements. We reported the results of this exercise in the Proposal Form for this modification. Since then, the Programme has consulted on a proposal to delay MHHS go-live by 6.5 months. Based on industry responses to the CR55 Change Request, the Programme submitted evidence to Ofgem about the effect of the delay on implementation costs. In making our decision on DCP455, we have considered both the evidence submitted as part of the CR55 process and submissions on costs made via consultation responses on this modification. 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). Ofgem therefore remains of the view that MHHS can be expected to deliver significant net benefits to energy consumers in Britain.

Next steps

The Electricity Settlement Reform SCR is an Authority-led end-to-end SCR. Our decision on DCP445 introduces the changes to the DCUSA that were identified in August 2024 as being necessary for the implementation of the MHHS arrangements. Following discussions with MHHS Programme and ElectraLink, we expect that further changes to the DCUSA will be needed before MHHS 'go live'. These changes will be needed primarily in order to align the DCUSA with changes to the MHHS design agreed through MHHS Programme governance since the legal text for DCP445 was baselined in August 2024. Ofgem reserves the right to use its SCR powers to take forward such proposals if, for example, we consider this the most efficient way of ensuring that they are implemented before 'go live'.

It remains possible that further changes to the DCUSA may be needed even after 'go live' to bring the new MHHS arrangements fully into effect. If further code changes do prove to be necessary, we may make those code changes under this SCR. Having done so, the SCR will remain open until we have made our final decision in relation to the final code change, and we will confirm when we consider that to have happened.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP445 'Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements' be made.



Melissa Giordano, Deputy Director Retail

Signed on behalf of the Authority and authorised for that purpose