

Melissa Giordano,

Deputy Director, Retail,

Ofgem,

By email only: half-hourlysettlement@ofgem.gov.uk

Date: 24 March 2025

Dear Melissa,

RECCo response to: Proposed Directions to Market-wide Half-Hourly Settlement (MHHS) Participants

We welcome the opportunity to respond to this consultation. Our non-confidential response represents the views of the Retail Energy Code Company Ltd (RECCo) and is based on our role as operator of the Retail Energy Code (REC).

RECCo is a not-for-profit, corporate vehicle ensuring the proper, effective, and efficient implementation and ongoing management of the REC arrangements. We seek to promote trust, innovation and competition, whilst maintaining focus on positive consumer outcomes. Through the REC, the services we manage, and the programmes we run, we are dedicated to building a more effective and efficient energy market for the future.

We are committed to ensuring that RECCo is an “intelligent customer”, ensuring efficacy and value-for-money of the services we procure and manage on behalf of REC Parties, including those which constitute the REC Code Manager.

We have engaged constructively in the MHHS Programme and continue to proactively support the development and implementation of the MHHS arrangements.

Our response is based on our role as an MHHS Affected Code Body under Section C 12 of the BSC and also our wider obligations under the REC.

We support the aims of the proposed reporting to provide confidence that Programme milestones will be met, risks mitigated, and clarity provided on the key operational arrangements on Supplier of Last Resort (SoLR) and Service Management after M10. We have suggested an amendment to the reporting requirements to the MHHS Programme so that this is proportionate and restricted to instances that would risk delivery of the MHHS Milestones in the MHHS Implementation Plan.

We are concerned that requirements for MHHS Participants to provide MHHS Participant Plans on MHHS Qualification are unnecessary as each party is already required to meet an agreed timetable and that Code Body review of these detailed plans would put other MHHS Qualification activities needed for M10 at risk. We are also concerned with proposed rights for the MHHS Implementation Manager to delay REC change until after completion of the MHHS Programme at end 2027. In both instances we have set out alternative proposals.

Please see Annex 1 below for our detailed response.

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We are happy to discuss any of the points raised in this response.

Yours sincerely,

Jonathan Hawkins

Director of Operations Programmes

ANNEX 1: Response to consultation questions

Q1: We are considering whether there would be merit in explicitly directing all MHHS central parties and the LDSOs to do these things, rather than relying on the general direction to all MHHS Participants to deliver on their MHHS Participant Plans in line with Programme milestones.

We have incorporated our response to this question into Q2 below.

Q2: We welcome views on any aspect of our proposals. As noted above, we would welcome views on whether to issue an explicit direction to all MHHS central parties and the LDSOs (rather than only to BSCCo) in relation to operational readiness and service management provision.

RECCo's MHHS Participant Plan: Clause 8 to 17

RECCo is an MHHS Participant (i.e. an MHHS Affected Code Body) and we note that we are therefore captured by these proposals.

RECCo maintains a detailed MHHS Participant Plan and provides information and updates to the MHHS Programme as required. We have deployed sufficient budget and appropriately skilled resources and continue to keep this under review, including with our service providers. We have formalised internal governance and senior sponsorship to ensure delivery of our MHHS Participant Plan.

We note the requirement to provide the RECCo MHHS Participant Plan to MHHS Programme by 30 April 2025 (and IPA where requested) and to provide updates to this plan thereafter within three working days when it is updated. To ensure that this activity provides value and is proportionate, we suggest that notification of updates to MHHS Participant Plans after 30 April should only be required where these would impact the delivery of MHHS Milestones set out in the overall MHHS Implementation Plan. As an example, the RECCo MHHS Participant Plan has 1000+ lines and it is likely to be overly burdensome for the MHHS Programme to meaningfully process updates to plans for each MHHS Participant each time there is a change to their internal tasks and milestones.

Qualification MHHS Participant Plans: Clause 8 to 17

We do not consider that the proposal for each MHHS Participant to also provide its MHHS Participant Plan relating to MHHS Qualification to the REC Manager and the BSC PAB is required. In total, 132 individual organisations are expected to MHHS Qualify and would need to submit plans under this proposal covering 192 separate REC and BSC Market Roles (as some organisation will have multiple Market Roles).

The Qualification Approach and Plan (QA&P) Annex 3 sets out a high-level plan for each MHHS Participant depending on whether they are in SIT (MVC or non-MVC), non-SIT LDSOs or non-SIT Suppliers or Agents. Non-SIT Suppliers and Agents have each chosen one of four Qualification Waves, with each wave having its own specified timescales.

The high-level plan for each group of MHHS Participants in the QA&P includes activities related to testing and the completion of the Qualification Assessment Document (QAD).

For non-SIT Suppliers and Agents, the QA&P requires a detailed assessment of each MHHS Participant's PIT Approach and Plan and its Qualification Testing Approach and Plan. These activities are scheduled within each Qualification Wave at the point that this review will add the most value i.e. once the party has completed its initial preparation and ahead of the testing taking place. For SIT Parties and non-SIT LDSOs, these activities have already been undertaken by the Programme.

For these reasons, we do not consider that provision of detailed MHHS Participant Plans to Code Bodies by 30 April 2025 for all MHHS Participants is necessary. Each MHHS Participant is already expected to have incorporated the QA&P timescales and the activities noted above within their individual MHHS Participant Plan.

We are concerned that any expectation that Code Bodies will review the plans provided by MHHS Participants coincides with, and will put at risk, the planned high volume of MHHS Qualification activity in the lead up to M10. In the period between early May and mid July 2025, Code Bodies are expecting to review up to 29 Final QAD submissions from SIT Party organisations covering 50 separate Market Roles, review 31 non-SIT LDSO QAD submissions, review 24 non-SIT Supplier and Agent Wave 1 PIT Completion status reports and QT Test Plans and review 24 non-SIT Supplier and Agent Wave 2 PIT RTTMs. This is in addition to the other MHHS Qualification support and preparation activities.

We agree that it would be sensible to ensure that MHHS Parties remain on track for MHHS Qualification. We therefore propose that MHHS Participants are required to confirm by 30 April 2025 that they have in place a MHHS Participant Plan that will allow them to meet their allocated Qualification Plan. We consider that this plan should be made available to REC Code Manager and BSCCo on request. MHHS Participants should also be required to inform REC Code Manager and BSCCo if they are no longer able to meet their QA&P dates as is proposed in Clause 16 of the Direction.

We consider that this is a proportionate approach that will supplement the regular engagement activities that Code Bodies are establishing with non-SIT Suppliers and Agents to track readiness and that the Programme already facilitates for SIT Parties and non-SIT LDSOs. We note that the MHHS Programme is planning a readiness assessment for M10 during April. We suggest that incorporating a check within this readiness assessment for all parties, to validate that they are on track against their allocated Qualification plan, would be an efficient way for MHHS Participants to discharge this requirement.

BSCCo requirements as an MHHS Participant: Clause 18

We welcome Ofgem's proposals in Clause 18.

We remain committed to working with Elexon and the MHHS Programme to develop, agree, codify and implement proportionate Service Management arrangements. This is vital to ensure that arrangements are in place to manage critical P1/2 incidents as well as lower level P3/4 incidents which, can be costly at volume and can impact consumers and market participants when not resolved efficiently and effectively.

We support codification of Service Management requirements so that performance can be assured, there is transparency on the standards that parties are expected to meet and the arrangements can be updated in a controlled way through code change management.

We also welcome the inclusion of SoLR processes being within scope of the Direction and note the requirement for BSCCo to work with both the MHHS Implementation Manager and RECCo to develop, consult and baseline any new requirements. Given the important role that Ofgem plays in the SoLR process, we recommend that this requirement is extended to include working with Ofgem to develop the updated SoLR arrangements. In addition to SoLR, we believe the wider DIP Manager operation readiness activities should be tracked and this should include business processes for managing DIP offboarding. These are key processes that need to be defined and tested to ensure

that appropriate controls are in place to prevent removal of participants from the DIP impacting retail activities.

Change Management: Clause 19

We do not support this proposal in its entirety. RECCo does not consider that the MHHS Implementation Manager should have the ability to prevent implementation of changes to the REC, without there being a mechanism to challenge this position and consider the wider benefits of the change. We are concerned that the effect of this proposal could be that important changes to the REC are unnecessarily delayed past M16 and into 2028.

Any decisions taken by the MHHS Implementation Manager are necessarily expected to be narrow in focus and would not consider the wider benefits of any REC Change Proposals, some of which may be required to deliver other Ofgem and Government initiatives. We are also concerned that, under the proposed drafting, there is no requirement for the MHHS Implementation Manager to demonstrate that a REC Change Proposal (or a linked change to another Code that is needed to implement a REC Proposal) has the potential to impact delivery of MHHS Milestones or demonstrate the materiality of such impact.

Our view is that REC Code Manager should consult MHHS Implementation Manager on any REC change that has the potential to impact delivery of MHHS Milestones. Any views provided by the MHHS Implementation Manager should be carefully considered by the REC Code Manager and by the REC Change Panel when considering a Self-Governance REC Change Proposal. Where the MHHS Implementation Manager disagrees with the view of the REC Change Panel then, as set out in the REC Change Management Schedule, it may decide to appeal this decision to Ofgem. We would expect Ofgem to consider the views of the MHHS Implementation Manager when determining an appeal or any REC Change Proposals that require Authority approval.

Cross code changes will be reviewed by Code Bodies (including DIP Manager) at the Cross Code Steering Group (CCSG). We would expect, as well as individual consideration by each code body, CCSG to consider if there are any potential impacts on MHHS Milestones and agree how any request for Impact Assessment from the MHHS Implementation Manager would be coordinated.

We support the proposal for MHHS Programme and Code Bodies (including DIP Manager) to work collaboratively to facilitate urgent changes to Codes if required in the ELS phase to resolve issues. It is important that this process is timebound and only used in extraordinary circumstances given the compression of the normal checks and balances around solution development, consultation and potentially appeal. We would welcome an early signal from the MHHS Programme on requirements so that we can ensure that any required adjustments are developed, agreed and implemented into the REC Change Management process.

Qualification obligations on RECCo: Clauses 20 to 23

We note the requirements to ensure that the MHHS Qualification approval process administered by REC Code Manager operates efficiently to support MHHS Qualification in line with MHHS Participants' Plans, the MHHS Migration Plan and MHHS Programme Milestones. RECCo is committed to achieving this goal and is working closely with Elexon, DIP Manager, the MHHS Programme and industry parties to achieve this aim.

We note the requirement for RECCo to deploy sufficient budget and appropriately skilled resources to deliver our MHHS Qualification requirements. We have arrangements in place with the REC Code

Manager and a flexible resourcing model that will allow us to adjust resourcing as needed, learning lessons from our experiences as we move through the phases of MHHS Qualification delivery.

We welcome the recognition of the key role of the DIP Manager in ensuring that the DIP onboarding process operates efficiently. DIP onboarding is a prerequisite for a REC Party's MHHS Qualification.

Under MHHS governance, MHHS Qualification is the responsibility of RECCo and BSCCo. We therefore suggest that the reference in Clause 21 to MHHS Participants meeting 'all necessary Programme requirements' is amended to 'all necessary Programme and Code Body requirements'.

Clause 21 refers to Code Bodies completing the approval of QADs by SIT Participants and by non-SIT LDSO Participants by 22 August 2025 where they have met all necessary requirements and timelines and are otherwise ready for M10. Our expectation is that the necessary requirements and timelines include, in accordance with the QA&P, a SIT Party that wishes to be Qualified by M10 providing its complete and accurate Final QAD by 9 May 2025 and each non-SIT LDSO providing its Final QAD by 23 May 2025. The QAD should be of sufficient quality that it requires limited review and iteration before it is agreed as finalised by Code Bodies and the party has completed SIT/QT testing and has a finalised Test Completion Report from the Programme, including agreement on any work-off plans agreed between the party, MHHS Programme and Code Bodies before the QAD can be fully signed off. Where this is not the case, e.g. the QAD requires several material iterations after submission and/or a party has a material number of work-off plans to resolve following testing, we consider that the party will not have met all necessary requirements and timelines. We will however, endeavour to Qualify these parties by M10 or as quickly as possible thereafter.

Extending Direction on Operational Readiness and Service Management:

RECCo has developed a detailed Operational Readiness plan and has shared this with the MHHS Programme. This has identified the activities that RECCo and REC Code Manager will undertake for M10 as well as the dependencies that we have on other market participants. These dependencies particularly relate to BSCCo, for example in relation to agreeing reporting, change management and performance assurance arrangements with the DIP Manager, understanding the Post M10 operational model and agreeing Service Management arrangements with Elexon.

We have no objection to the extension of the Direction to cover Operational Readiness and Service Management for parties other than BSCCo, however we suggest that the priority is first to clarify the Post M10 operational model and Service Management requirements that parties need to implement. Once this is clear, the benefit of extending the Direction to cover any new requirements on parties can be better assessed.

Q3: We also seek views on whether the proposed directions on MHHS Participants cohere effectively with the direction that we issued on 28 February 2025 to the MHHS Implementation Manager.

We consider that the proposed Direction for MHHS Participants coheres effectively with the Direction issued to the MHHS Implementation Manager.

We note the requirement in Clause 12 to comply fully and promptly with all reasonable requests from the MHHS Implementation Manager to provide information required to meet the Direction on it from Ofgem to provide reports. We are working with the MHHS Implementation Manager to understand what information it requires from RECCo to provide to meet its obligations.

Q4. We also welcome views on whether these proposals are sufficient in their scope and timing to mitigate any future risks to MHHS delivery. If you believe they are not, and that additional requirements ought to be included within these directions, please specify what those requirements should be, on which party or parties they should be placed and when those requirements should be fulfilled.

No comments.

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