

## Response Form: Market-Wide Half-Hourly Settlement (MHHS) Consultation on Programme Implementation Principles

[REDACTED]  
Fri 05/03/2021 12:32

To: Half-Hourly Settlement <Half-HourlySettlement@ofgem.gov.uk>

Dear Sir / Madam,

[REDACTED]

Ofgem state that this is a large and complex programme and that implementation should be timely and efficient.

In section 4.4 Ofgem state that Elexon has considerable experience of delivering broadly similar programmes and that Ofgem are looking at ways or areas in which Elexon can develop or obtain/procure the capability and capacity to perform all the required roles. There is a risk that Elexon does not have existing capability and capacity or the ability to efficiently obtain capability and capacity for the role. To explore this risk has Ofgem requested a proposal from Elexon setting out their relevant experience, capability and capacity? If so, what gaps were identified and it is requested that Ofgem publish that proposal. There is a risk that the programme implementation will be delayed if the Senior Responsible Owner (SRO) does not have the required capability, capacity or ability to obtain it in an efficient manner.

There is a risk that the appointed SRO will not operate in a financially efficient manner. The Elexon websites states that it operates on a not for profit basis. By only considering Elexon for the SRO role, how do Ofgem propose to demonstrate that the SRO role operates in an economically efficient manner for the funders of BSC operating costs, industry and ultimately consumers?

Ofgem state that a robust governance structure will be established but this will be consulted on later. It is proposed that the SRO will appoint a strong independent assurance function rather than Ofgem.

There is a risk that the SRO will "mark their own homework" by appointing the independent assurance function. As a mitigation to this, I suggest that Ofgem either act as the independent assurance function or procure and manage this function to ensure it is independent. I suggest that if Ofgem do not have the required capability or capacity that Deloitte, EY, KPMG and PWC i.e. trusted and reputable suppliers are asked to provide proposals to provide assurance services directly to Ofgem.

Ofgem state in 2.13 the following “There are advantages to putting day-to-day decision making in the hands of experts who understand the systems and processes that are being changed in more depth than Ofgem can. Delivery of industry change programmes is something that can and should be led by the relevant experts. Ensuring that all day-to-day responsibility for managing the delivery of this programme sits with industry will free up Ofgem resources to focus on our core regulatory priorities rather than managing delivery.”

There is a risk that industry, consumers and the wider public perceive that Ofgem have “washed their hands” of taking an appropriate role overseeing this programme.

There is a risk that governance arrangements are not appropriate to oversee the activities of the SRO as the SRO would be responsible for establishing governance structures and managing the governance. Mitigation of this risk could be achieved by Ofgem taking on the direct management of the governance role and creating a programme board comprised of senior industry representatives.

