Draft for consultation

Market-Wide Half-Hourly Settlement – Draft Governance Framework

Background

1.1.   This [draft] document sets out or identifies by reference the component parts of the governance framework for implementation of the Market-Wide Half-Hourly Settlement (MHHS) programme.

1.2.   This governance framework is established under section C12 of the Balancing and Settlement Code (BSC). This is a regulated document, and compliance with this document is required under the BSC (and other industry codes which require compliance with section C12 of the BSC).

1.3.   Expressions used in this governance framework will be interpreted in accordance with the definitions set out in Section C12 of the BSC.

Objectives

1.4.   Licensed entities have new regulatory requirements to participate in, and support the programme, as set out in Section C12 of the BSC.

1.5.   The implementation governance arrangements have been designed to achieve the following high-level objectives:

- enable objectives and benefits of the MHHS programme to be delivered;
- secure trust and buy-in across all programme parties;
- be industry-led;
- be efficient and streamlined (including supporting rapid decision making and ensuring parties have access to the necessary capacity/capabilities to fulfil their roles); and
- be clear, transparent and appropriate for different requirements of the programme, e.g. licence obligations, programme management, programme management budget, and change process.

1.6.   Under these governance arrangements, Ofgem:

- will not be involved in the day-to-day management or decision making of the programme, but will continue to make certain decisions, such as where the thresholds set out in this document are met;
- should be kept updated on progress throughout the programme; and
- will reserve the right to intervene to the programme in certain defined circumstances.

MHHS Implementation Manager

1.7.   Unless Ofgem decides otherwise, Elexon (as BSCCo under the BSC) will perform the role of MHHS Implementation Manager, which includes the component roles of:

- Senior Responsible Owner (SRO);
- Programme Management Office (PMO);
- Design Authority;
- Systems Integrator (SI); and
- Programme Party Co-ordinator (PPC).

Elexon Business Separation Requirements

1.8.   It is important that Elexon's role as MHHS Implementation Manager is kept separate from its role as an MHHS Participant.

1.9.   Elexon shall develop, obtain Ofgem's approval of, and comply with a business separation plan which requires explicit, physical, organisation and cultural separation, including:

- Physical – separate office spaces, websites, and email addresses.
- Organisation – the people who are taking operational and management decisions in relation to the MHHS Implementation Manager roles must not be the same people who take decisions in relation to the MHHS Participant role. Reporting from the MHHS

Implementation Manager units to the Elexon executive and board should be kept to the minimum required (e.g. for corporate and financial reporting).

- Cultural – this may be achieved through appointment of external service providers for particular roles, but can also be achieved through staff training on awareness of separate functions.

1.10. Amongst other things, the MHHS Independent Assurance Provider will be responsible for identifying and reporting on issues relating to business separation and Elexon's conflicts of interest. Where the assurance provider considers the issues are material, they will bring them to Ofgem for consideration.

MHHS Participants

1.11. A number of stakeholders will need to be actively engaged in delivering the MHHS programme. These entities are referred to as MHHS Participants, which include:

- BSCCo (in its role as a participant, rather than MHHS Implementation Manager);
- each Supplier;
- each Licensed Distribution System Operator;
- the DCC;
- each MHHS Affected Code Body;
- each Data Collector;
- each Data Aggregator;
- each Meter Operator Agent; and
- any other directed by the Authority.

MHHS Independent Assurance Provider

1.12. An independent assurance provider (IPA) will be tasked with the important role of programme assurance. This body will be independent of Elexon, and will report to Ofgem.

1.13. The IPA will monitor for potential conflicts of interest in Elexon's decision making, and also monitor the extent to which the interests of existing and future consumers are being taken into account.

1.14. The focus of the IPA will be to provide evidence throughout the implementation of MHHS to the PMO, to the Programme Steering Group and ultimately to Ofgem, to support key decision points, milestones and quality gates in the programme and to assure that the information the programme is being provided by the relevant organisations is accurate, timely and complete, although the IPA will not be assuring each individual MHHS Participant as a matter of course.

1.15. The IPA may also be called on from time to time, to provide independent advice on matters arising which could impact on the delivery of the Programme. Whilst Ofgem will contract with the assurance provider, Elexon will be responsible for day-to-day contract management and should instruct the assurance provider in accordance with reasonable requests for assurance reports from the Programme Steering Group. The IPA will owe a direct duty of care and responsibility to Ofgem, as Programme Sponsor.

1.16. All MHHS Participants are required to submit relevant information to the IPA when asked, and to take such reasonable steps as the IPA recommends, including any re-assurance which is recommended.

1.17. All participants must also undertake their own internal assurance which may or may not be performed by an independent assurer. Amongst other things, participants may be required to provide board statements of readiness which are required at relevant milestones.

1.18. The role of the assurance provider will not be to repeat the assurance activities of the individual organisations, the System Integrator or the Programme Party Coordinator. The assurance provider should look at each organisation in sufficient depth to be able to provide insight into the delivery of parties' obligations in respect of the programme, but may regard an individual organisation's assurance reports, or reports from the SI or PPC as relevant evidence. Specifically, the IPA will not be individually assuring the activities of each energy supplier, supplier agent or Licensed Distribution System Operator. Where party self-assessment is used the IPA will provide assurance that the

self-assessment reporting is robust and reliable. Where the IPA identifies any risks or concerns they should work with the relevant organisation to identify recommendations to address those risks and concerns.

1.19. The IPA should work closely with each of the central programme parties, including Elexon as the BSC system provider and DCC, as well as the PMO, SI and PPC to ensure that all central programme documentation and plans are developed in accordance with programme principles around timeliness, transparency and consultation, and meet quality requirements.

1.20. The IPA will work with all programme parties to ensure that the programme is operating in a way that will lead to successful implementation on the baselined timescales. The IPA should be able to provide early identification of any risks to delivery, together with recommendations to address those risks before they become issues. The IPA should engage actively with programme parties and through programme governance to ensure that they are fully informed about progress and are able to provide real-time advice at all times, but particularly in the run-up to key milestones and decision.

1.21. The assurance objectives are to:

- provide confidence to the MHHS Participants that the programme is set up for success to deliver against the programme objectives;
- deliver independent assurance reporting to support key programme milestones and quality gates;
- provide advice to the SRO, the Programme Steering Group or any other group established under this governance framework, or to Ofgem, on any required improvement to quality and performance to ensure delivery on time and to cost;
- report to the SRO, the Programme Steering Group and to Ofgem, on key milestones. In particular, review evidence from the MHHS Implementation Manager and programme participants and provide expert opinion on whether these parties and providers are meeting their obligations to the programme;
- ensure that potential conflicts of interest between the Elexon roles are managed appropriately;

- at the request of the SRO, Programme Steering Group or Ofgem provide information on an ad hoc basis on assurance related matters; and

- provide transparent reporting to Programme Participants (subject to the normal confidentiality protections) to provide a third party expert independent perspective of the delivery of the Programme.

1.22. The IPA will employ a variety of assurance techniques to assure progress through the implementation phase and will provide reporting to the Programme Steering Group for key programme milestones, review points and quality gates. The IPA shall also undertake assurance of selected activities and organisations on an ad hoc basis. The assurance reports and any associated remedial recommendations will provide the Programme Steering Group, and ultimately Ofgem, with the confidence that satisfactory progress is being made, and that milestone and quality gate criteria have been met, or suggest areas where remedial action may be required.

1.23. Arrangements will be put in place to ensure that the IPA will act independently of Elexon, and that the IPA's findings and recommendations are not unduly influenced or altered by Elexon. Specifically, the IPA will be procured and contracted by Ofgem, and will report directly to the Steering Group. All assurance reports will be provided to Ofgem, and other interested parties will also receive copies of any assurance reports relevant to their own service and system provision.

1.24. In respect of the assurance services being carried out, Elexon, in its MHHS Implementation Manager role, will be subject to the same assurance approaches irrespective of the fact that Elexon is acting as the day-to-day contract manager of the IPA. In providing its assurance of Elexon activities, the assurance provider should also seek regular assurance on an on-going basis that Elexon itself, in its roles of SRO, Design Authority and PMO , is not giving any preference to Elexon in its role as BSC system provider, for example, testing, defect triage, the resolution of defects and issues, change impact assessments, the provision of Integration services and environments, etc.

Governance/Expert Groups

1.25. Elexon, as MHHS Implementation Manager, will establish a number of industry groups to support and input into the programme. These will initially comprise the following (as further described below):

- the Programme Steering Group;
- the Design Authority Group
- the Implementation Group
- the Programme Workgroups – as required, and including the Code Change Development Group (CCDG) and the Architecture Working Group (AWG);
- the Programme Technical Groups – as required;
- the Cross Code Advisory Group (CCAG);

1.26. The Programme Workgroups to be established may include:

- the Post-AWG Workgroup;
- the Security Advisory Group;
- the Data Advisory Group;
- the Testing Working Group;
- the Transition Group; and
- the Post-Implementation Group.

1.27. Elexon, as MHHS Implementation Manager will establish the initial groups in consultation with Ofgem, all MHHS Participants and any other stakeholders with an interest. The constitution of each such group shall be designed to enable Elexon to identify and understand the impact (including cost impact) of proposed courses of action. Elexon must ensure that each such group is constituted in a way which allows the differing perspectives of MHHS Participants to be represented. At least one representative from each of the MHHS Participant categories must be invited to become a member of each such group (although failure of any of them to attend will not affect a group's quorum).
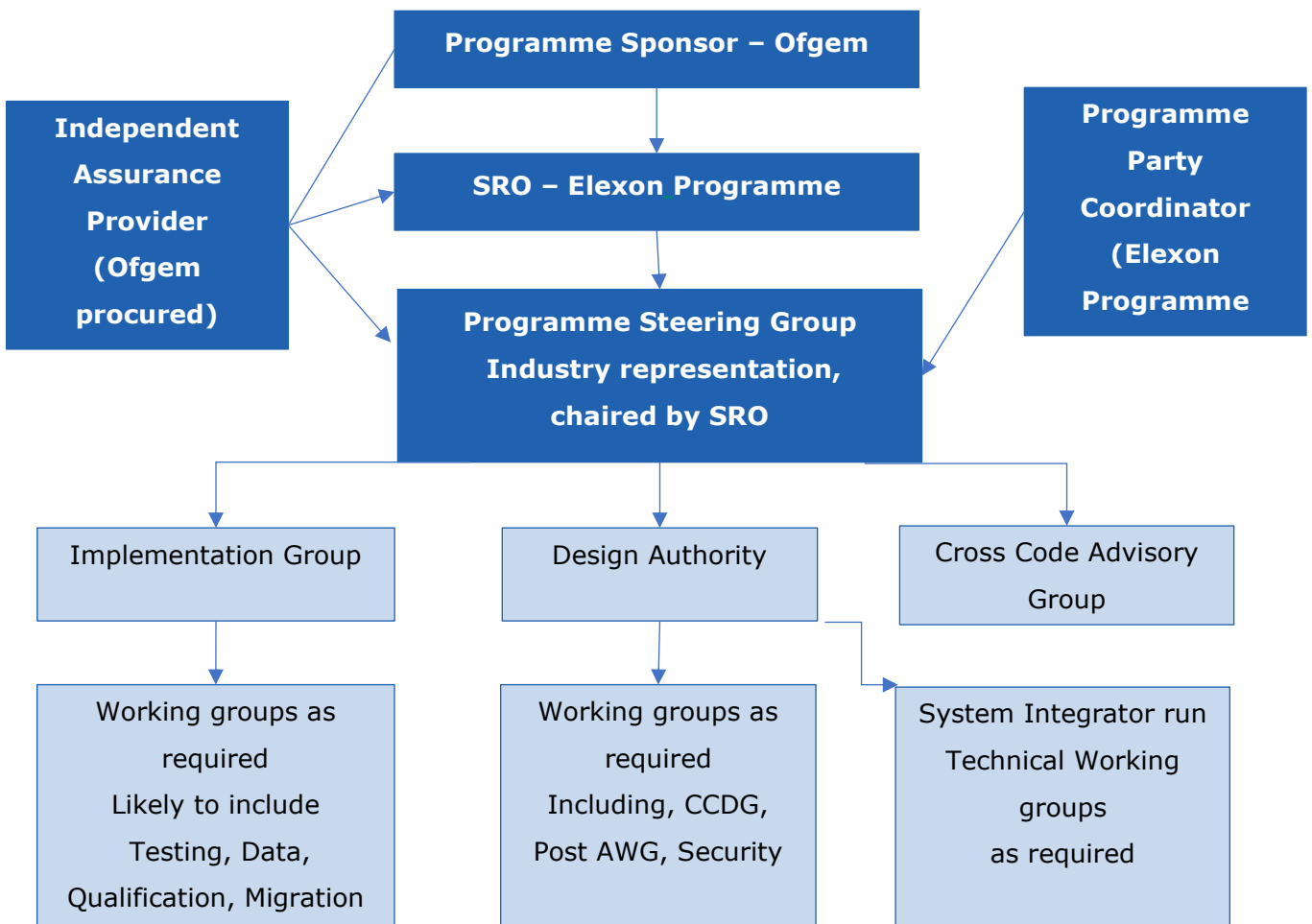
Summary of Governance Structure

1.28. The following decision-making structures are designed to help achieve an effective balance between the MHHS Implementation Manager (MHHS IM) and the programme participants, in order to ensure that the MHHS IM takes fully informed and effective decisions which are transparent and suitably accountable to programme participants. Through these processes, the MHHS IM will engage and consult with industry to ensure that all programme parties feel engaged and able to positively influence the programme. The goal is for all parties to have access to all relevant programme information, and to have an opportunity to participate in and influence the programme decision-making process, without unnecessarily delaying the programme.

1.29. Through regular ongoing communication and engagement, the MHHS IM must take all reasonable steps to facilitate all parties' understanding of the programme and upfront communication during the initial set up stages will be especially critical.

Governance Structure, Roles and Responsibilities

1.30. The following sections set out the role of each group and how they interact with each other, including the decision-making structure.

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                    │  Programme Sponsor – Ofgem        │
                    └──────────────────────────────────┘
┌──────────────┐    ┌──────────────────────────────────┐    ┌──────────────┐
│ Independent  │    │   SRO – Elexon Programme          │    │ Programme    │
│ Assurance    │    └──────────────────────────────────┘    │ Party        │
│ Provider     │                                             │ Coordinator  │
│ (Ofgem       │    ┌──────────────────────────────────┐    │ (Elexon      │
│ procured)    │    │  Programme Steering Group          │    │ Programme    │
│              │    │  Industry representation,          │    │              │
│              │    │  chaired by SRO                    │    │              │
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Implementation Group	Design Authority	Cross Code Advisory Group
Working groups as required Likely to include Testing, Data, Qualification, Migration	Working groups as required Including, CCDG, Post AWG, Security	System Integrator run Technical Working groups as required

1.31. **Programme Sponsor – Ofgem**: [has] set the design and implementation plan baselines in the Decision Document published in April 2021. Ofgem retains overall accountability for achieving the outcomes set out in the Decision Document published alongside the Full Business Case. The thresholds for decisions that will need to be approved by Ofgem are set out below, which includes when decisions have particular impacts on design, plan baselines, costs or consumers. In addition, Ofgem has a role

ensuring that parties are treated fairly within the programme and that any conflicts of interest between Elexon's roles in the programme are effectively managed.

1.32. **SRO (Elexon in its role of MHHS IM)**: has responsibility and accountability for delivering MHHS according to the design and implementation plan baselines set by Ofgem. The SRO will be obliged to operate programme governance as described here. The SRO will chair the Programme Steering Group and will formally take Steering Group decisions. The SRO should aim for consensus wherever possible and seek to take into account the interests of all programme parties and consumers. The SRO is accountable for keeping MHHS implementation to plan, and will need to ensure that decisions are taken in a timely way, whilst ensuring that appropriate consultation of all programme parties is carried out at all stages. Where the SRO is unable to make a decision because it meets the threshold set out for Ofgem intervention, they will provide a recommendation to Ofgem for consideration.

1.33. **MHHS Programme Steering Group (PSG)** - Industry representatives, chaired by Elexon as MHHS IM: the PSG is the key programme decision-making group. The SRO will make decisions in PSG, informed by PSG and seeking consensus among PSG members. Where the SRO is unable to achieve consensus they will articulate the reason for their decision, and the dissenting voices, and seek the views of the independent assurance provider as to whether the matter meets the criteria for reference to Ofgem. The PSG will comprise:

- SRO - Chair
- Programme Manager
- PMO
- SI
- PPC
- Independent Assurance Provider
- Elexon Systems
- DCC as smart meter central system provider
- Any other provider of a central system required for MHHS implementation (e.g. comms provider)
- 1 large supplier representative
- 1 medium/small supplier representative

- 2 supplier agent representative
- 1 DNO representative
- 1 iDNO representative
- 1 consumer representative (someone with extensive industry change programme delivery experience with a remit to represent consumer interests)
- Ofgem would be invited to attend as an observer.

1.34. **Independent Assurance Provider (IPA)** – procured by Ofgem, managed by Elexon as MHHS IM: has a wide remit to provide assurance on the performance and processes of all programme participants. Has a specific focus on: effective operation of programme governance, including escalation through the structure to Ofgem; activities and delivery of the PMO, activities and delivery of the Design Authority, activities and delivery of the SI, activities and delivery of the PPC, delivery and progress of the central system providers (Elexon, DCC and any other); and progress of the market participants. The IPA can be commissioned directly by the SRO, by PSG members and by Ofgem, and reports directly to the SRO, PSG and Ofgem without any SRO/Elexon pre-scrutiny of reports. The IPA determines when the threshold for Ofgem intervention has been reached on any issue and recommends that the SRO refer the matter to Ofgem. The IPA can escalate matters directly to Ofgem where they consider it appropriate to do so.

1.35. **System Integrator (SI)** – procured by Elexon as MHHS IM: is responsible for ensuring that all systems are effectively integrated to deliver MHHS. The SI is responsible for ensuring that all necessary design artefacts are produced in a timely manner with appropriate consultation of parties, and are complete and sufficient to enable all parties to build and test their systems ahead of integration or user testing. The SI is responsible for ensuring that integration, user and end to end testing is planned and prepared in a timely manner, with appropriate consultation of parties and in a way sufficient to allow all parties to plan and prepare for their roles in testing. The SI is likely to run detailed technical working groups as appropriate. These may take decisions where asked to do so by the SRO, noting that the SRO cannot delegate any decisions that pass the threshold for Ofgem intervention.

1.36. **Programme Party Coordinator (PPC)** – procured by Elexon as MHHS IM: is responsible for ensuring that all programme parties are aware of their obligations in

relation to MHHS and for supporting them in carrying out those obligations as they relate to the preparation and testing of central systems.

1.37. **Programme Management Office (PMO)** – some or all elements procured by Elexon as MHHS IM: is responsible for providing full and effective programme management to support MHHS implementation. The PMO is responsible for establishing and administering the governance groups required under this Governance Framework, including managing the programme documentation, dissemination to and consultation with programme parties and baselining of approved documents. The PMO will be responsible for establishing and administering the document change control process. They will track and report on progress against the MHHS Implementation Timetable to the MHHS SRO and Programme Steering Group, as well as be responsible for identifying risks to the successful completion of the MHHS Implementation Timetable milestones.

1.38. **Design Authority** – chaired by Elexon as MHHS IM with industry representatives: the design authority is responsible for all design decisions, and all change requests that impact on design. The design authority may take decisions where authority to do so is delegated by the SRO, noting that the SRO cannot delegate any decisions that pass the threshold for Ofgem intervention. The design authority must ensure that any decisions are based on full transparency with programme participants, and appropriate consultation with impacted parties. Where parties raise significant concerns that the design authority decision would not address, the decision should be escalated to the PSG.

1.39. **Design working groups** – chaired by Elexon as MHHS IM: the design authority can convene working groups, open to industry participants, as required. Where recommendations from the design working groups relate to a decision that passes the threshold for Ofgem intervention, those recommendations should be submitted to Ofgem with an indication of stakeholder comments. The CCDG, as it completes its current work, will also report to the design authority. Where any CCDG recommendations pass the threshold for Ofgem intervention those recommendations should be submitted to Ofgem with an indication of stakeholder comments. The design authority is likely to establish a change group to look at change requests raised during MHHS.

1.40. **Implementation Group** – chaired by the PMO with industry representatives: is responsible for oversight of the implementation process. The Implementation Group should be made up of industry representatives and will be responsible for proposing and consulting and making recommendations on the implementation plan, on all sub-plans including testing plans, environment plans, qualification plans, migration plans, data cleanse plans, and any other plans that the SRO, PMO or SI consider are required. The Implementation Group, and/or the PMO, will have authority to make decisions as delegated to it by the SRO, noting that the SRO cannot delegate any decisions that pass the threshold for Ofgem intervention. The Implementation Group will track progress against plans and identify and resolve issues proactively to keep the programme on track. The Implementation Group should ensure that all artefacts on which it takes decisions are provided to programme participants in a timely manner, and that all impacted parties have an appropriate opportunity to comment. Where parties raise significant concerns that the Implementation Group decision would not address, the decision should be escalated to the PSG.

1.41. **Implementation Working Groups** – chaired by the PMO: the PMO may convene working groups, open to industry representatives, as required. These are likely to cover key areas of implementation including testing, data, qualification, migration and post implementation. These working groups should be open to all programme participants and should ensure that all work is transparent to all programme participants and allows programme participants and appropriate opportunity to comment. Implementation working groups should report to the Implementation Group where decisions are made.

1.42. **Cross Code Advisory Group** – chaired by Elexon acting as MHHS IM: is a new group, established for the purposes of MHHS implementation only. This group will bring together representatives from the BSC, SEC, REC, DCUSA and CUSC to ensure that there is confidence in the end-to-end approach and design, and that all code change activity is planned and executed in a coordinated and complementary way. This group should operate by consensus, following input from industry. Where consensus cannot be reached the group can seek guidance from the Design Authority and PSG. Where consensus still cannot be reached the group can seek guidance from Ofgem. The Cross Code Advisory Group will report on progress and any issues to the Programme Steering Group to ensure full visibility and transparency across the Programme of progression co-ordinated code work.

1.43. This group will be responsible for ensuring that each code manager has identified any action required in respect of their code to support the successful implementation of MHHS, and that they have a plan to deliver those actions in accordance with the baselined Implementation Plan. The group will report to the PSG on progress against their plans and advise the PSG of any risks, opportunities or challenges that it identifies in relation to MHHS implementation. The group will work cooperatively to ensure any desirable cross-code co-ordination is identified, agreed and enacted.

MHHS Implementation Timetable

1.44. The initial timetable for MHHS Implementation is set out in Ofgem's April Decision[1].

1.45. The development of, and changes to, the MHHS Implementation Timetable shall be subject to the governance change process described below.

MHHS Target Operating Model

1.46. The initial MHHS Target Operating Model (TOM) is described in the Decision Letter published by Ofgem on 20 April 2021[2] and as will be further specified through MHHS Implementation.

1.47. The development of, and changes to, the TOM shall be subject to the governance change process described below.

Governance Change Process

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[1] See the Market-wide Half-hourly Settlement Decision and Full Business Case.
[2] See the Market-wide Half-hourly Settlement Decision and Full Business Case.

1.48. Elexon, as PMO, is responsible for establishing and administering a robust change control process to apply to this MHHS Governance Framework and the relevant programme documents.

1.49. A different change process may be established for different programme documents to reflect their relative significance.

1.50. Elexon shall develop, consult on and obtain Ofgem's approval of the initial change process. This process shall ensure that changes are subject to impact assessment and consultation with relevant stakeholders; and that the proposals and outcomes are clearly communicated in a timely manner (that takes into consideration the time needed for participants to adapt).

1.51. All proposed changes must be impact assessed. That impact assessment will be required to include the costs and benefits of the change, taking account of costs across the industry and across the investment period for the programme, the reasons for why the change is required, and the impacts it would have on the delivery timescale. It must also include an evidenced assessment of whether the proposed change would sit within the SRO scope or whether it would meet any of criteria for Ofgem intervention (See Section 6). In particular this means that it must consider any impact on the design baseline as approved by Ofgem, and any impact on consumers. Where the change request sits within the SRO scope, the decision on whether to accept or reject the change can be made under the decision-making governance, as set out above. Where the proposed change would meet any of the criteria for Ofgem intervention, then the SRO would be obliged to inform Ofgem, and the change would require Ofgem approval to be accepted.

1.52. It is important that all decisions taken in respect of MHHS implementation have the interests of consumers in mind. One element of that consumer focus is that the full industry impact and cost of different approaches should be considered, with action taken where it can be done most efficiently and cost-effectively.

Thresholds for Ofgem Decisions

1.53. Ofgem will receive regular reports from Elexon as SRO and from the IPA. Ofgem will, in accordance with its statutory objectives, determine whether to take actions in response to those reports. Each MHHS Participant is obliged by section C12 of the BSC to comply with Ofgem's directions.

1.54. Without limiting the circumstances in which Ofgem may choose to take particular decisions and direct particular courses of action, Elexon (as SRO), with the agreement of the IPA, will ensure that the following are referred to Ofgem for determination:

- any forecast or re-plan that would move one or more of the level 1 milestones by 3 months or more;
- any decisions that would require a material or fundamental change to the Target Operating Model. A material or fundamental change would include;
    - A change that materially changes the TOM services (For example a change for what they are responsible for, or who can carry them out).
    - A change to any of the policy decisions made on access to data or agent functions.
    - A creation of business process Service Level Agreements (SLAs) that would impact the reduced settlement timetable
    - A change which means the TOM would no longer meet the TOM Design or TOM Development Principles.
    - A change to the settlement timetable.
- any decisions that would alter the forecast costs or benefits of MHHS compared to those set out in Ofgem's impact assessment published on 20 April 2021[3] for MHHS by more than: £5m for an individual decision, or £20m cumulatively;
- any decisions that could have the significant impact on competition or market stability; and
- any decision that could have a significant impact on consumers

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[3] See the Market-wide Half-hourly Settlement Decision and Full Business Case.

1.55. Where the IPA considers that a decision meets one of the above thresholds and it has not been referred to Ofgem by the SRO then the IPA shall refer the matter to Ofgem.

1.56. Notwithstanding that a decision has been referred to Ofgem, Ofgem may decline to determine the matter for whatever reason.

1.57. Pending any decision by Ofgem to accept or decline the reference, and pending Ofgem's determination of any matter referred to it, the decision of the MHHS Implementation Manager shall be implemented (unless and to the extent that Ofgem directs otherwise).

1.58. Nothing in this governance framework will fetter Ofgem's statutory powers and duties. Licensees have licence obligations to comply with the section C12 of the BSC, and Ofgem may take enforcement action in the event of any breach of those obligations.

Further Ofgem Intervention

1.59. Ofgem reserves the right at any time to determine that Ofgem – or another entity chosen by Ofgem - will take over one or more of Elexon's roles as MHHS Implementation Manager (or part of one or more of those roles).

1.60. Ofgem only expects to use this right as a last resort. Elexon is obliged and empowered by the BSC to deliver MHHS implementation, and cannot rely upon Ofgem to step-in. Nevertheless, Ofgem may choose to do so at any time, having first sought views from programme participants and the IPA.

1.61. Elexon will abide by and co-operate with Ofgem's decision to step-in or appoint a third party to step-in.

1.62. Without fettering Ofgem's discretion, Ofgem may choose to step-in if one or more of the following circumstances arise:

- the wider strategic context has fundamentally changed the basis for Ofgem's MHHS decision, so that the Target Operating Model is no longer appropriate;
- there is a significant proposed or forecast shift in either costs (materially higher and significantly exceeding the £20m cumulative threshold for Ofgem intervention) or

benefits (materially lower) than those set out in Ofgem's original impact assessment for MHHS;

- significant delays (beyond 3 months) to planned implementation are experienced or forecast;
- where there is a breakdown of trust between programme parties and the Elexon as the MHHS IM that Ofgem considers cannot be remedied.