

## **Response Form**

### **Market-Wide Half-Hourly Settlement (MHHS)**

### **Consultation on Programme Implementation**

### **Principles**

*The deadline for responses is 5 March 2021. Please send this form to [HalfHourlySettlement@ofgem.gov.uk](mailto:HalfHourlySettlement@ofgem.gov.uk) once completed.*

**Organisation:** The Retail Energy Code Company (RECCo)

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**Is your feedback confidential?** NO  YES

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## Challenges and Risks

1. Do you agree with the challenges and risks that we have identified? Are there any other challenges or risks from the implementation approach described in this document that you would like to bring to our attention? If so can you suggest any appropriate solutions or mitigations?

We fully agree that it is appropriate for Elexon to undertake the role of Senior Responsible Owner for the MHHS programme, working within the wider policy and decision-making framework of Ofgem, as the Programme Sponsor. Elexon clearly has a unique role as the operator of the GB electricity balancing and settlement arrangements. The knowledge and competencies required to fulfil that role, which have for many years included half-hourly settlement at the industrial and commercial end of the market, mean that Elexon is well placed to identify the changes necessary to extend half-hourly settlement to the whole of the electricity market.

In some respects the MHHS programme is similar to the reforms to gas settlement arrangements undertaken as part of Project Nexus, as referenced in the consultation, insofar as that project extended arrangements that had previously only been practicable for larger supply points to the gas market as a whole. Project Nexus and other large-scale change programmes have also shown both the benefit of having independent programme assurance, and the problems of unclear accountabilities. As noted in the consultation, lessons have been learnt and it is welcome that the MHHS programme will retain a clear and accountable role both for the system operator in terms of the day-to-day management of the programme, and for Ofgem as Programme Sponsor and key decision maker. This clarity over roles, responsibilities and accountability should extend to all programme participants, including those providing independent assurance or other services.

The ongoing role for Ofgem should help expedite the programme, but will also mitigate the risk around conflicts of interest, ensuring that decision-making, and in particular the final design of the MHHS arrangements, balances the interests of all market participants and is ultimately of benefit to consumers, consistent with its statutory duties. It will be important that Ofgem is supported in this role with a programme governance structure that draws from a broad range of stakeholder interests, avoiding risk of confirmation bias.

2. Do you support the solutions and mitigations proposed? Are there additional measures or mitigations that you would propose to make the programme implementation approach more robust and effective?

#### Retail issues and consequential change

It is clear that the MHHS programme will have both direct and in-direct impacts upon retail arrangements. Some of the consequential changes needed to give full effect to the programme have been identified in work to date, albeit with reference to the MRA which will shortly be replaced by the Retail Energy Code (REC). Once the decision is made on REC v2.0, we will ensure that these changes are mapped against REC drafting and shared with interested parties. Please let us know if it would be helpful to do so on an indicative basis ahead of the V2.0 decision.

We consider that it would be appropriate for RECCo and/or the REC Code Manager to take responsibility for identifying and developing any further consequential changes that may be required to the REC, whether through the MHHS working groups or otherwise. We would then expect to undertake proactive development of any such changes, ensuring that they can progress in parallel rather than in sequence to the BSC modifications process. This should facilitate timely delivery of the overall programme, ensure consistency across industry governance as a whole and reduce the burden upon parties.

We appreciate that the programme governance structure has yet to be determined, but suggest that RECCo should have an integral role within it, with specific first-instance responsibility for addressing any retail related issues that may arise. Where necessary, we will recruit subject matter expertise and other resource to provide appropriate support to the programme.

#### Independent assurance and transitional governance

As noted in Q1, we agree that independent programme assurance will contribute to the timely and effective delivery of the MHHS programme. Whilst Elexon has the necessary experience of delivering large-scale change to its own systems, the MHHS programme has a dependency on third parties over whom Elexon has little or no control. It will be important that the progress and eventual readiness of those parties is monitored and

where necessary, remedial actions taken to ensure the continuing progress of the programme as a whole. We therefore agree that independent programme assurance will be critical, but also that the cooperation of parties will be required.

We note that it is Ofgem's intention to consult this summer on obligations that may be placed on licensees and other parties, and on the form that such obligations could take. We consider that the approach taken by the Switching Programme provides a useful model. The REC went live in February 2019, initially providing transitional obligations upon REC parties to cooperate with the Switching Programme, including the provision of information to the programme assurance provider and adherence with test plans, etc. However, the detailed programme documentation continued to sit outside of the REC, and subject to programme change control. This seems to have achieved an appropriate balance of rigour and flexibility. A similar approach could be utilised for the MHHS programme, with programme obligations being incorporated by reference within the BSC, and/or if necessary underpinned by licence. We consider that the Duty to Cooperate obligations, which were introduced into all licences in 2018, could serve this purpose (as set out in the consultation to that modification), rather than introduce additional obligations into licence.