

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 once completed.

Organisation: Siemens

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Is your feedback confidential? NO YES

Unless you mark your response confidential, we will publish it on our website, www.ofgem.gov.uk, and put it in our library. You can ask us to keep your response confidential, and we will respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.

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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?

Siemens acknowledges the risks and challenges outlined by OFGEM, but believes that there are additional items worthy of consideration. These items are outlined below and we would welcome reassurances on our areas of concern.

Siemens' primary concern is always that competition in energy retail and metering related services is maintained and encouraged. The ability of Supplier Agents to innovate and create value added services supports OFGEM's goals of timely and effective delivery of settlement reform. It is therefore important that Elexon's performance of any function doesn't limit the ability of others to innovate by subsuming more and more into their scope of delivery.

Currently, this risk to competition is heightened by the lack of scope and specification provided for the Programme Management function. Siemens believe at minimum, before awarding this role to Elexon, that the expectations and requirements of Elexon's delivery in this role should be clearly defined.

Siemens believes in the importance of transparency relating to changes to competitive markets, which would include the process by which Elexon have been made the Programme Manager. There has been limited visibility of the decision and no formal procurement process for this function. The lack of transparency and detail in the process, unnecessarily opens it up to criticisms on both the outcomes

and the validity of the selection basis; something that could be avoided by conducting a transparent process using best practice procurement principles.

Linked to this, we have further concerns that this appointment could set a precedent for other functions to be awarded in a similar manner. Siemens strongly believe these should be competitively procured in the interest of fairness and efficiency. Confirmation of a competitive tender process for roles such as System Integrator would address market concerns over the risk of Elexon procuring systems or services without full transparency.

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?

Siemens acknowledge the measures that have been proposed to ensure robust and effective programme implementation but would highlight the following areas that we believe would help mitigate some of the challenges and risks introduced by the approach.

As indicated in our response to the first question, Siemens are particularly keen that limitations are not imposed that restrict the ability of organisations from competing to provide the functionality required to deliver the programme.

Siemens agree with the need for the procurement of a strong Programme Assurance function to, amongst other things, provide the necessary assurance that the Programme Management function is acting appropriately and avoids introducing any conflict of interest. However, it appears somewhat contradictory that it is then proposed that Programme Assurance is to be procured by the Programme Manager, which immediately introduces a potential conflict of interest.

OFGEM have previously considered three approaches to implementation, including a hybrid approach. The hybrid approach gave OFGEM the responsibility for procuring aspects such as the Programme Assurance function. Siemens are more supportive of this approach than the current hands off position OFGEM are proposing.

Siemens believe conducting competitive procurement exercises for all functions and systems using best practice procurement principles is a key mitigation for the risks facing the programme. To help ensure

transparency, an early publication of a plan that details all functions required to deliver the programme, the procurement approach for each function and a timetable for that procurement would assist organisations keen to consider offerings into the programme. It would also help attract the best organisations to make available their services and as early as possible.

The MHHS programme is affecting a wide range of organisations and as such a varied range of views are being offered and considered in the development of the programme. Many of the decisions taken have a business impact on these organisations but the current decision making process appears to be based on the current voting rules for which a large number of these organisations, party agents for example, are disenfranchised. Siemens recommend that a review of the voting rules is undertaken that acknowledges the impact on and contributions made by all affected parties.