

## 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:** Utilita Energy Ltd

**Contact:** Danny Byrne

**Is your feedback confidential?** NO  YES

Unless you mark your response confidential, we will publish it on our website, [www.ofgem.gov.uk](http://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.

If the information you give in your response contains personal data under General Data Protection Regulation (EU) 2016/679 and Data Protection Act 2018, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.

## 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?

The consultation does not set out clear risks or challenges but instead focuses on solutions. Utilita agree that the solutions proposed would, based on past experience of Nexus and other major industry programmes, seem to be sensible in any programme. However, without setting out the nature of risks and challenges specific to this programme, there is no basis upon which to agree that the solutions represent proportionate actions. For example, Nexus required all parties to move at the same time, any failure from one party would (and did) create market-wide issues. On the other hand, Faster Switching has been designed so that failure from one supplier only materially damages that supplier. Utilita expected to see a similar analysis in this consultation setting out the risks, challenges and, vitally, the dependencies associated with the implementation of this programme – even at a high level.

Although the consultation stays silent on dependencies, it is vital that any implementation approach includes key dependencies, such as the prevalence of smart meters. Introducing MHHS while any significant percentage of legacy meters remains in-situ will have high impacts upon the success and quality of MHHS, reducing the benefits case and leading to potentially negative outcomes for consumers. Utilita supports the continuation of elective HHS while the smart rollout completes. We believe there are enough commercial incentives to drive suppliers into settling customers on an elective HH basis until the smart meter rollout is completed to a level that facilitates the proposed benefits for the programme.

Utilita note the concerns raised regarding the conflict of interest for Elexon. Given Elexon's position in the market and commercial drivers as a not-for-profit entity, Utilita agree that the solutions identified should adequately reduce the risk of conflicting interests. In addition, having Ofgem as project sponsor and a suitably resourced BSC party programme board (with a good range of suppliers and DNOs) should provide enough oversight of key decisions and milestone delivery to provide comfort to impacted organisations.

Finally, the implementation approach should give significant consideration to mitigating the risks of unprecedented change (namely SMETS2, Enrolment and Adoption and Faster and More Reliable Switching). Delivering MHHS in the proposed timescales in parallel to the aforementioned programmes, and under the restrictions of price caps (particularly the prepay price cap), presents unprecedented risks including impact on end customers, funding of such programmes, resource allocation etc. For example, allocating resources to the solution design/test/implementation required to deliver MHHS, puts existing projects and BAU at risk. This must be robustly examined as part of the FBC.

- 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?

Please refer to our response to Question 1 for detail but briefly, Utilita agree that the solutions proposed would, based on past experience of Nexus and other major industry programmes, seem to be sensible in any programme. However, without setting out the nature of risks and challenges specific to this programme, there is no basis upon which to agree that the solutions represent proportionate actions. An appropriate next step would be to set out the risks, challenges and dependencies clearly in the Full Business Case (FBC) and invite comment as part of that consultation. Without taking this approach, Ofgem are unlikely to get any meaningful feedback regarding the proposed solutions and mitigations, and risk over- or under- spending on the programme – both of which have negative consequences for consumers.