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: AIMDA

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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?

No, AIMDA believes that the risks identified are not suitably qualified and are not complete, please find our explanation of this statement below:

Ofgem needs to appoint an excellent program manager with independence and integrity because of the highly critical role that this position will play in determining the success of the MHHS rollout.

Elexon does not fit this criteria because it does not have the track record or skills to manage a programme of this magnitude and complexity. While Ofgem suggests that ELEXON have "considerable experience of delivering broadly similar programmes with many or most of the same participants", AIMDA members struggle to identify any relevant examples. The most similar recent activity was the introduction of P272 which was slow and late, and in no way compares with the scale of the task of implementing MHHS.

In our collective experience, and in line with our previous discussions with you, the risk of conflict in Elexon between internal delivery and the focus on the overall programme is real. Elexon has significant problems in engaging with parties outside of the direct BSC sphere. Cross-code management is difficult and its capabilities are weak. This has been evident in the work performed on the MHHS project to date. ELEXON may have BSC industry knowledge, as do many others, but BSC industry knowledge alone does not translate to good programme management. This contributes to Elexon being a poor candidate to manange the implementation of MHHS.

In addition, there has not been a robust and transparent procurement process which leads to speculation of selection bias and ultimately could lead to criticism of the outcomes. AIMDA believes the biggest risk to MHHS is appointing any party as a programme manager without going through a transparent and open process and that it shows unquestionably poor practice for such a critical role. From the absence of detail in the consultation, it would appear that there is no specification for the programme management work therefore the thoroughness of any evaluation of potential parties to perform the role is entirely questionable and lacking evidence.

Recommendation 1: Create a detailed specification for the programme management work and then conduct a fair and transparent procurement exercise.

Class-leading programme management is a specific skill, that should be independently procured following best practice standards and operated independently from ELEXON. We repeat our statement that there is no evidence that ELEXON has this skill – in fact, their recruitment exercise for an experienced programme manager indicates completely the opposite. AIMDA do not understand why recruitment is proceeding ahead of the actual programme manager role being awarded. This is either indicative of prior knowledge of such an award or

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willingness to act before decisions have been made and at significant expense with no guarantee of return on investment, clearly this doesn't bode well for effective cost control in programme management.

Recommendation 2: Procure a <u>truly independent</u> programme manager with proven credentials.

It is also possible to draw conclusions whereby the ease of reusing the existing BSC funding mechanism seemingly predicates the candidate, outweighing the suitability for the role. Surely there is a way of using the BSC funding mechanism to fund an independent programme manager.

Recommendation 3: Explore in more detail how the BSC funding mechanism could be used to fund an independed programme manager.

Requiring ELEXON to procure independent assurance immediately leads to another conflict of interest. The independent assurance will be reviewing the programme that ELEXON will be orchestrating. The potential conflict of this arrangement is obvious. The independent assurance should be procured & managed independently of ELEXON as programme manager and report its finding directly to Ofgem. The suggestion that an independent assurance assessment can be commissioned to look at Elexon's plans for leading the programme implementation whilst being instructed, commissioned and paid for by ELEXON is inherently flawed.

Recommendation 4: Should our previous recommendations not be addressed, our strongest advice would be for Ofgem to procure independent assurance instead of Elexon and for the party to be completely independent of MHHS.

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?

No.

The suggested mitigation that an internal ethical screen can be erected within ELEXON to prevent conflicts of interest across programme management and internal development and delivery is at best questionable. Resources from ELEXON's design authority will be required in both areas and it is hard to imagine that the limited pool of expertise in this area will not be conflicted on a regular basis. Avoiding this conflict by procuring additional resource once again supports the fact that Elexon is not best placed to act as programme manager as it will be effectively 'buying in help' resulting in additional costs and dilution of supposed 'industry knowledge'.

Recommendation 1 (from previous question): Create a detailed specification for the programme management work and then conduct a fair and transparent procurement exercise.

Recommendation 2 (from previous question): Procure a <u>truly independent</u> programme manager with proven credentials.

Without specific proposals as to how governance and decision making will occur, it is impossible to judge if the solution is appropriate. Existing BSC governance does not equally represent all facets of the industry and there is a concern that if this default process is adopted for this purpose, AIMDA member views will not be fairly heard. There is no methodology proposed to ensure fairness across all stakeholders. ELEXON's default position will be to favour the interests of BSC parties – this is who they view as their customers, and therefore all information and decisions will be biased by this viewpoint. Ofgem should therefore consider a voting share methodology calculated as the volume of energy under management under each participant.

Recommendation 5: Ofgem to consider implementing a voting share methodology calculated as the volume of energy under management under each participant.