

Anna Stacey
Head of Settlement Reform
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

4 March 2021

Sent by email to: HalfHourlySettlement@ofgem.gov.uk

Dear Anna,

Market Wide Half Hourly Settlement (MHHS) – Consultation on Programme Implementation Principles

We understand the logic of Ofgem's proposal to appoint ELEXON as the senior responsible owner (SRO) of the MHHS programme, given ELEXON's expertise in electricity settlement.

However, we have some serious concerns that mean we cannot support this proposal unless these concerns have been addressed:

- Consumer communication is a vital part of the MHHS programme and ELEXON does not have experience in managing a consumer facing programme. We propose that Ofgem remains as the SRO for this element of MHHS.
- ELEXON's core duties revolve around the integrity of settlement and they will work to ensure that its duties are met through MHHS. For many stakeholders the priority will be in keeping costs down for them, and ultimately consumers. Therefore, it is important Ofgem remain responsible for any decisions that may result in additional costs that industry parties and consumers will have to bear.
- MHHS will have impacts on elements that sit outside the balancing and settlement code (BSC), e.g. smart metering. This will require cross code coordination and it's unclear how ELEXON can make decisions that will affect codes other than those they administer. Ofgem will need to remain as a driving force within MHHS to ensure the various energy industry codes work closely together.
- Ofgem has noted the conflict of interest that ELEXON has in being responsible for decision making and for part of the implementation. It's unclear how this conflict of interest can be fully resolved without separating ELEXON into two distinct legal entities – a step that's likely to be costly and complex.
- Ofgem's consultation states that Ofgem will remain Programme Sponsor, with step-in powers and yet it's unclear how these powers will be used. We propose that these powers are exercised for significant decision points, particularly those relating to costs and consumers. We are concerned that Ofgem states that "we do not expect to have to use

such powers” given that we have identified areas of the MHHS programme that should be led by Ofgem.

We propose that Ofgem and ELEXON put in place a plan and governance structure that can satisfactorily address our concerns and those of other stakeholders, including key decision points relating to costs and consumers that will require Ofgem to use its step-in powers. Only once a satisfactory plan is in place to address and mitigate our concerns would we be comfortable with ELEXON taking a leadership role within the MHHS programme.

This covering letter answers the two specific questions in Ofgem’s consultation. We agree with the other challenges and risks Ofgem has identified within its consultation.

We support Ofgem’s proposal to require ELEXON to procure independent expert assurance. However, we reserve our full support until it is clear what the objectives of the assurance will be and how much it will cost.

If you have any questions or would like to discuss our response, please contact me on Tabish.khan@centrica.com or 07789 575 665.

Yours sincerely

Tabish Khan
Centrica Regulatory Affairs