

P413 Digital Meeting Etiquette

- Welcome to the P413 Workgroup meeting 2 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use IM if you can't break through
- Talk – pause – talk
- Lots of us are working remotely – be mindful of background noise and connection speeds

ELEXON

P413 Workgroup 2

Require Elexon to be the Programme Manager for the implementation of Market-wide Half Hourly Settlement

12 October 2020

Meeting Outcomes & Agenda

Meeting Outcomes

- Agree a funding approach for the Modification
- Agree the Business Requirements for the Modification
- Determine Workgroup views on remaining Terms of Reference items
- Agree solution for Proposed Modification and (if applicable) scope of Alternative Modification

Agenda

Agenda Item	Lead
1. Welcome and meeting objectives	Claire Kerr (<i>Chair</i>)
2. P413: Funding Approaches	Kathryn Coffin (<i>Design Authority</i>)
3. P413: Business Requirements	Andrew Margan (<i>Business Analyst</i>)
4. Outstanding Terms of Reference Questions	Chris Arnold (<i>Lead Analyst</i>)
5. Next Steps	Chris Arnold
6. Meeting Close	Claire Kerr



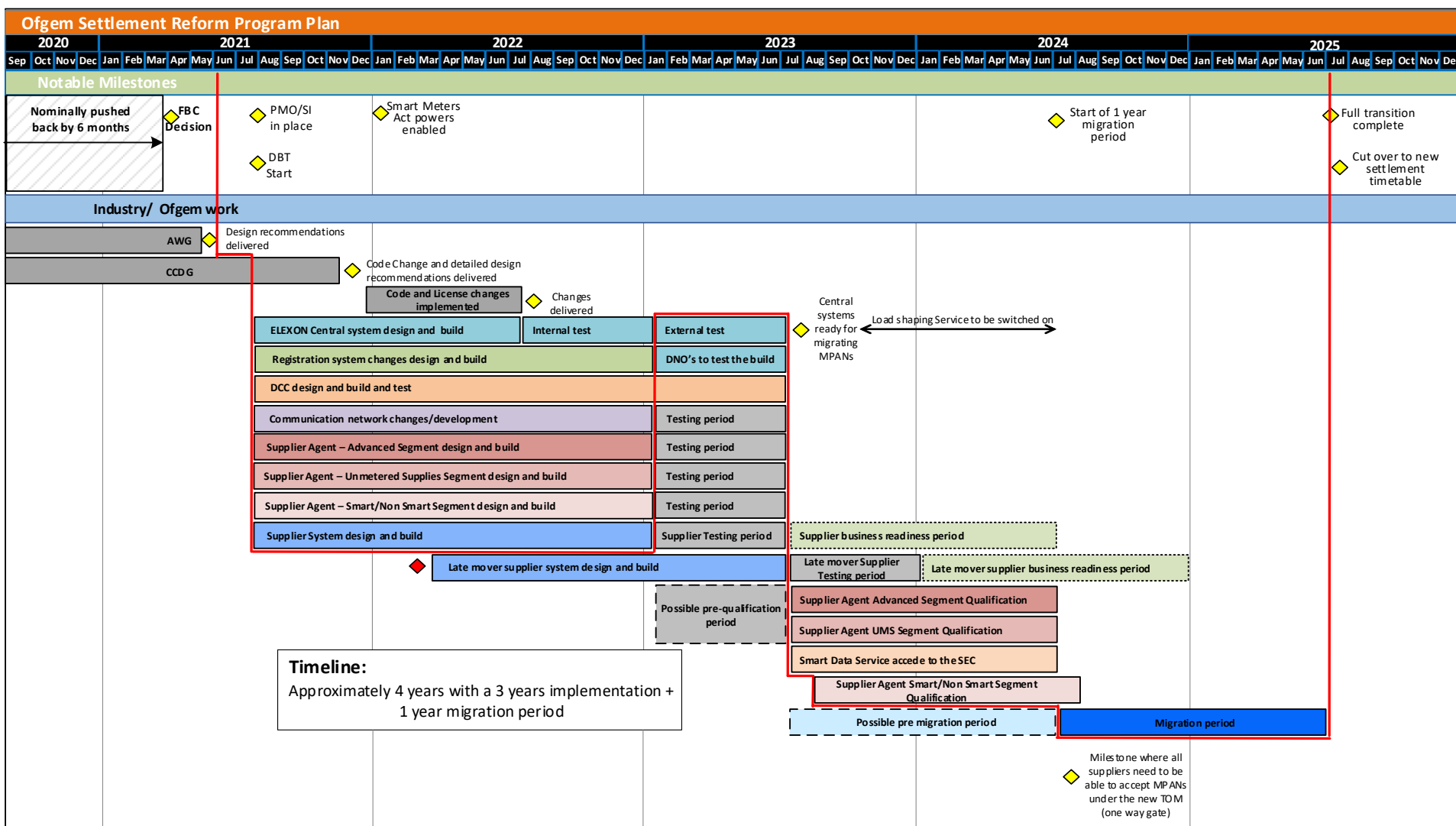
P413: FUNDING APPROACHES

P413 timeline

	2020			2021		
P413 progression critical path	October	November	December	January	February	March
Workgroup develops P413 solution (business requirements)						
Workgroup develops P413 legal text (draft BSC changes)						
Workgroup develops P413 Assessment Consultation document						
P413 Assessment Consultation issued						
Workgroup considers responses and makes final P413 recommendations						
Panel considers P413 Assessment Report and makes initial recommendation						
P413 Report Phase Consultation issued						
Panel considers responses and makes final recommendation						
P413 Final Modification Report submitted to Ofgem for decision						

- The P413 Implementation Date recommended by the Proposer is 5 Working Days after Ofgem's approval of the Mod
 - This is based on P413 being a documentation-only change to the BSC
- Ofgem's draft Impact Assessment Consultation stated its aspiration to have the Programme Manager function in place by Spring 2021
- In the draft Programme Plan presented at the September Panel, Ofgem indicated that this milestone could move to July 2021 (this is TBC)
- In Ofgem's draft Programme Plan, this milestone is also the start of the Design – Build – Test phase for the implementation of MHHS, so PM activities would need to begin immediately

Proposed Transition Timetable (indicative)



Implications of introducing a new BSC cost-recovery mechanism for P413 PM costs

Using the Main Funding Share is the default / do nothing option – requires no further document or system changes

Introducing a new funding mechanism levied solely on LDSOs and/or Suppliers would require:

- Additional changes to BSC Section D
- Changes to Elexon's Funding Share System (FSS)
- Possible changes to other Elexon or BSC Agent systems to calculate and pass the necessary input data to the FSS
- Time to flesh out and impact-assess the detailed requirements for the new mechanism (which could affect the date for submitting the P413 report to Ofgem)
- Costs and time to implement the FSS changes (which could affect the P413 Implementation Date)

The scope of the FSS changes are likely to be medium to high:

- For example, they are likely to be more complex than the FSS changes for P396 which were £80k with 7 months' lead time

With the P413 Mod Report going to Ofgem in mid-March, then (even with a shorter lead time) the FSS changes cannot be made in time for the start of the BSC Year on 1 April – when new / amended charges would usually come into effect

An option could be to back-date the charges once the FSS changes are live:

- This could result in the liable Parties receiving most or all of Year 1's charges in one go, rather than spread out on the usual monthly basis
- We'd also need to ensure that Elexon could still fund PM activities in the interim, given its not-for-profit arrangements

The full note also sets out other questions and considerations for the Workgroup if it wishes to progress a new cost-recovery mechanism

Comparison of PM cost-recovery options

Option	Requires changes to Section D?	Requires system changes?	Requires extra input data?	Complexity of system changes	Compatible with Spring 2021 implementation?
Main Funding Share	×	×	×	N/A	✓
Suppliers only	✓	✓	Maybe	Medium-High	Unlikely
Suppliers & DSOs	✓	✓	✓	High	Unlikely



P413: BUSINESS REQUIREMENTS

Outcomes of P413 Business Requirements

- The objective of this section is to agree the business requirements for the Modification
- At the previous Workgroup meeting members discussed whether there were any material differences between the proposed Modification requiring or enabling Elexon to be the MHHS PMO, SI & PPC. Elexon took away an action to draft business requirements to highlight potential areas of difference in the two approaches and also to agree the key features of the proposed Modification.

Require or Enable?

- Elexon can carry out the role of the MHHS PMO, SI and PPC, either by the BSC:

Requiring Elexon to carry out the PMO, SI and PPC functions if P413 is approved (so Ofgem approval of P413 also represents its decision to appoint Elexon). This is the ‘Require’ option; or

Enabling Elexon to carry out the PMO, SI and PPC functions for the MHHS PMO, SI and PPC functions, if Ofgem runs an appointment process and the modification is approved (so two Ofgem decisions are needed – one to approve the Modification and one to appoint Elexon). The P413 BSC provisions will only be ‘switched on’ with the actual appointment, which will be made outside the BSC. This is the ‘Enable’ option.

Business Requirements

Ref No.	Business Requirement
BR1	<p>Ability for Elexon to be the MHHS PMO, SI and PPC</p> <p>BSC amended to reflect an obligation on Elexon to be the PMO, SI and PPC</p>
BR2	<p>Require or Enable Elexon to establish the PMO, SI and PPC function</p> <p>Require BSC amended to reflect an obligation on Elexon (following an Ofgem modification approval), to create a MHHS PMO, SI and PPC function Also provision for Ofgem to de-appoint Elexon</p> <p>Enable BSC amended to enable Elexon, as BSCCo, to take part in an appointment process run by Ofgem outside the BSC. Following an Ofgem decision, outside the BSC, to appoint Elexon, the P413 BSC provisions will ‘switch on’ and require Elexon to create a MHHS PMO, SI and PPC function that is responsible to Ofgem. Also provision for Ofgem to de-appoint Elexon</p>

Business Requirements

Ref No.	Business Requirement
BR3	<p>Enable Elexon to recover PMO, SI and PPC bid costs</p> <p>BSC amended to enable Elexon to recovery PMO, SI and PPC bid costs from BSC Parties, through the Main Funding Share and capped at £100k.</p>
BR4	<p>Enable Elexon to report PMO, SI and PPC bid costs</p> <p>BSC amended to require Elexon to report PMO, SI and PPC bid costs to BSC Parties.</p>
BR5	<p>Elexon can sub-contract elements of the PMO, SI and PPC function</p> <p>In establishing the PMO, SI and PPC functions, Elexon may sub-contract one or more elements of the PMO, SI and PPC functions to successfully carry out the programme role.</p>
BR6	<p>PMO description</p> <p>The PMO must manage the end to end delivery of the MHHS programme, from mobilisation, design, build, test, integration and go-live.</p> <p>P413 assumes that governance of the MHHS programme will be set out in appropriate Ofgem programme documentation outside of the BSC.</p>

Business Requirements

Ref No.	Business Requirement
BR7	<p>SI description</p> <p>The SI must support the system design and build phases, and plan, co-ordinate and manage parties' activities and resources during the system test and integration phases.</p>
BR8	<p>PPC description</p> <p>The PPC must assess party readiness during the build, and before each test and integration milestone to ensure parties are ready to meet programme milestones.</p>
BR9	<p>Reporting to Ofgem and BSC Parties</p> <p>Exelon must report progress in such format and timeline as specified by Ofgem. Reporting to BSC Parties on activities and costs will be undertaken in line with the existing Business Strategy process and Annual BSC Report.</p>

Business Requirements

Ref No.	Business Requirement
BR10	<p>Mechanism to recover MHHS Programme costs</p> <p>Elxon’s costs in providing the PMO, SI and PPC roles will be BSC Costs and will be recovered under the BSC using the “Main Funding Share”.</p> <p>For Year-1 an additional ad-hoc budget process will be established to enable first year programme costs to be counted as BSC Costs (since the 2021/22 Annual Budget will be set before the PM is appointed).</p> <p>Costs from Year-2 onwards will form part of the normal Annual BSC Budget process.</p>
BR11	<p>Elxon to establish the independent Assurance function</p> <p>BSC amended to reflect obligation on Elxon, to procure the MHHS independent Assurance function on behalf of Ofgem that is responsible to Ofgem. Ofgem will approve/ratify the scope of the procurement activity and the appointment. The Assurance role will not be a BSC Service / BSC Agent; the process will be similar to appointing corporate auditors. The contract associated with this role will terminate with Elxon’s appointment as PMO, SI and PPC; some cost-recovery run-off arrangements may be needed to cover any early de-appointment of Elxon.</p>

Business Requirements

Ref No.	Business Requirement
BR12	<p>Independent Assurance function description</p> <p>Reporting and accountable to Ofgem, the independent Assurance function must assure the PMO, SI and PPC delivery plans, resourcing, accountabilities and incentivises for programme delivery success.</p>
BR13	<p>Mechanism to recover MHHS independent Assurance costs</p> <p>Independent Assurance costs will follow the same “Main Funding Share” recovery mechanism as outlined in BR10.</p>



OUTSTANDING TERMS OF REFERENCE QUESTIONS

Terms of reference

- Whether the solution should include provisions for the appointment and governance of the Assurance provider
- What changes are needed to BSC documents, systems and processes to support P413 and what are the related costs and lead times?
 - When will any required changes to subsidiary documents be developed and consulted on?
- Are there any Alternative Modifications?
- Does P413 better facilitate the Applicable BSC Objectives than the current baseline?



NEXT STEPS

MEETING CLOSE

ELEXON

THANK YOU

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12th October 2020