

Phase

Draft Report

Consultation

Final Report

Implementation

P423 'Market-wide Half Hourly Settlement (MHHS) Implementation and Governance Arrangements'

This Modification makes a number of changes to the Balancing and Settlement Code (BSC) to set out the detailed implementation and governance arrangements that the Authority considers are needed to implement Market-wide Half-Hourly Settlement (MHHS).

This Consultation for P423 closes:

5pm on Wednesday 8 September 2021

The Panel may not be able to consider late responses.



This is an Authority Led SCR Modification. It will not follow the standard Modification Procedures. Instead it will follow the timetable set by the Authority and the Authority Led SCR Modification Proposal procedure detailed in BSC Section F5.3A.



The BSC Panel initially recommends **approval** of P423



The BSC Panel **does not** believe P423 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Suppliers;
- Data Communications Company;
- Data Collectors;
- Data Aggregators;
- Meter Operator Agents;
- MHHS Impacted Code Bodies;
- Licensed Distribution System Operators; and
- Exelon

P423
Authority Led SCR
Modification Consultation
24 September 2021

Version 1.0

Page 1 of 22

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Contents	2
About This Document	2
1 Summary	4
2 Why Change?	6
3 Solution	8
4 Applicable BSC Objectives	10
5 Impacts & Costs	11
6 Implementation & Progression Timetable	16
7 Consultation Questions	17
8 Panel's Initial Discussions	18
Appendix 1: Glossary & References	21

About This Document



Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 2 and 3
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

This is the P423 Authority Led SCR Modification Consultation, which Elexon is issuing for industry consultation on the BSC Panel's behalf. It contains the Panel's provisional recommendations on P423. The Panel will consider all consultation responses at its ad hoc meeting on 19 August 2021. An Authority Led SCR Modification Proposal does not follow the standard Modification Procedures. Instead it will follow the timetable set by the Authority and the Authority Led SCR Modification Proposal procedure detailed in [BSC Section F5.3A](#).

There are six parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the Authority Led SCR Modification Proposal form.
- Attachment B contains the draft redlined changes to the BSC and its subsidiary documents for P420.
- Attachment C contains the draft MHHS Governance Framework document for information.
- Attachment D contains the letter sent by the Authority to the Panel outlining its approach to this Modification.

P423
Authority Led SCR
Modification Consultation

24 September 2021

Version 1.0

Page 2 of 22

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- Attachment E contains the specific questions on which the Panel seeks your views. Please use this form to provide your responses to these questions, and to record any further views/comments you wish the Panel to consider.

Why Change?

Ofgem published its decision to proceed with [Market-wide Half Hourly Settlement \(MHHS\) in April 2021](#). MHHS will utilise the potential of smart meters to allow accurate consumption by smaller users to be measured and updated in real time, which will make it possible for almost all electricity consumption to be measured as close to real time as possible, and for all billing to be settled every half hour.

P423 will ensure that the BSC reflects implementation and governance arrangements that will allow Elexon to effectively manage and oversee the MHHS implementation programme.

Solution

P423 seeks to ensure the BSC reflects implementation and governance arrangements that will allow Elexon to effectively manage and oversee the MHHS programme and require Elexon to undertake that programme management in a transparent, consultative and unbiased way. It will also require MHHS programme parties to develop and deliver the changes to their systems and business processes to ensure timely and cost effective implementation and to cooperate with the programme governance and processes, including testing, qualification and migration.

Impacts & Costs

Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Elexon (MHHS Implementation Manager and MHHS Participant)	<£1k	N/A	Update to BSC documents to give effect to the necessary powers and functions to implement MHHS. Ongoing costs will be as a result of MHHS implementation rather than P423 specifically.
Suppliers, Data Communications Company (DCC), Data Collectors, Data Aggregators, Meter Operator Agents, MHHS Impacted Code Bodies, Licensed Distribution System Operators (LDSOs)	N/A	N/A	P423 obliges MHHS Participants to deliver MHHS and follow the MHHS governance arrangements. Impacts will be as a result of MHHS implementation rather than P423 specifically.
Total	<£1k	N/A	

Implementation

P423 should be implemented 5WD following Authority approval, which is expected to be given no later than 30 September 2021. This will ensure the MHHS implementation and governance arrangements are given effect as early as possible.

Recommendations

The Panel initially and unanimously:

- **AGREED** with the evaluation of the Authority Led SCR Modification Proposal as detailed in this report;
- **AGREED** that P423:
 - **DOES** better facilitate Applicable BSC Objectives (c);
 - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREED** that P423 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREED** a recommendation that P423 should be **approved**;
- **AGREED** the timetable for implementing the proposed Authority Led SCR Modification Proposal;
- **AGREED** an Implementation Date of:
 - 5WD following Authority approval; and
- **AGREED** the draft redlined text in Attachment B.
- **NOTED** the draft Governance Framework document in Attachment C.



Market-wide Half Hourly Settlement

Currently, Generators and Suppliers trade electricity in the wholesale market in half-hourly periods, but most domestic customers are settled on a 'non-half-hourly' basis, using consumption estimates that are based on a mix of profiles of average customers, and meter readings; there can be considerable variances between these.

There is no way for the wholesale market to adjust to variations in domestic consumption, such as by offering innovative smart tariffs, or by seeking to enable more flexible usage of energy (such as batteries), leading to a reduction in generation and network demand at expensive peak periods.

MHHS will utilise smart meters to allow accurate measurement of consumption by smaller users to be and updated as close to real time as possible, which will make it possible for almost all electricity consumption to be measured close to real time, and for all billing to be settled every half hour. This will streamline the market and reduce costs, with numerous benefits to consumers and wider society.

Ofgem estimates that it will bring consumer benefits of c.£1.6m-c.£4.5m (Net Present Value (NPV)) by 2045. [Ofgem published its decision to proceed with MHHS alongside the Full Business Case and Final Impact Assessment in April 2021](#) and expects full MHHS implementation to be completed by October 2025.

MHHS is a vital enabler of flexibility. It builds on changes already made requiring half-hourly settlement (HHS) for medium to large non-domestic consumers, and elective HHS for domestic and smaller non-domestic consumers. MHHS will send accurate signals to suppliers about the cost of serving their customers throughout each day. This will place incentives on suppliers to offer new tariffs and products that encourage more flexible use of energy and help consumers to lower their bills, for example time of use tariffs, automation, vehicle to grid solutions and battery storage. Making best use of existing infrastructure will reduce the need for future generation and network investment. This will help in decarbonising the electricity sector cost-effectively, which will benefit all consumers and wider society.

P413 'Market-wide Half Hourly Programme Manager'

P423 builds on the changes introduced by [P413 'Market-wide Half Hourly Programme Manager'](#), implemented on 27 April 2021. This Modification enables Elexon, as the BSCCo, to provide Market-wide Half Hourly Settlement Implementation Management services under the BSC. P413 expands Elexon's vires to carry out MHHS Implementation Management services as BSC activities and the capacity to sub-contract any elements of MHHS Implementation Management services during the period in which it is responsible for the provision of these services, amongst other accountabilities and obligations. In effect, P413 enables Elexon (as BSCCo) to fulfil the role of MHHS Implementation Manager, but does not provide the governance framework to do so. For example, it does not describe the obligations of MHHS Participants during the implementation of MHHS, or the responsibilities of the independent Implementation Assurance Provider. P423 will address this and build upon the foundations laid by P413.

What is an Authority Led SCR Modification Proposal?

An Authority Led SCR Modification Proposal is one of three routes available to the Authority for giving effect to a SCR. The Authority can direct NGEESO to raise a Modification Proposal, it can raise a Modification Proposal itself or follow a process that is substantially non-BSC to direct changes to the BSC, as is the case with P420. Changes to the BSC can also be made where legislation grants powers to do so. For example, the [changes to the BSC to facilitate the Government's Electricity Market Reform](#) were directed by the Department of Energy and Climate Change, from powers granted under legislation.

P423
Authority Led SCR
Modification Consultation
24 September 2021

Version 1.0

Page 6 of 22

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MHHS Implementation Arrangements

In its MHHS decision, Ofgem confirmed that it was placing responsibility for management and delivery of the programme with industry, with Elexon acting as Senior Responsible Owner (SRO) for the programme and having responsibility for ensuring the timely and efficient implementation of MHHS.

In order to be introduced and successfully implemented, MHHS will require a governance framework that will oblige and enable MHHS parties to implement MHHS.

Proposed solution

The successful introduction of MHHS will require a number of changes to operational and governance procedures across the electricity market. These will be managed and implemented by Elexon, as the MHHS Implementation Manager, who will need a mandate to oversee the changes. MHHS programme parties will also need to be obligated to undertake the changes to their systems and processes to achieve a successful timely and cost-effective implementation of MHHS. All of these changes will require a Modification to the BSC.

P423 seeks to ensure the BSC reflects implementation and governance arrangements that will allow Elexon to effectively manage and oversee the MHHS programme and require Elexon to undertake that programme management in a transparent, consultative and unbiased way. It will also require MHHS programme parties to develop and deliver the changes to their systems and business processes to ensure timely and cost effective implementation and to cooperate with the programme governance and processes, including testing, qualification and migration. To achieve this, amendments are proposed to the following Sections:

- [BSC Section C 'BSCCo and its Subsidiaries'](#);
- [BSC Section D ' BSC Cost Recovery and Participation Charges'](#); and
- [BSC Section X, Annex X-1 'General Glossary'](#)

Separately, other affected code bodies will also be required to modify their codes in order to obligate them to confirm with the new operational and governance procedures that are being added to the BSC. Ofgem will separately be progressing these modifications for the affected codes.

Governance Framework Document

Subject to Ofgem approving and Elexon implementing P423, a new Governance Framework document will be designated by Ofgem. This document can be found in Attachment C, for information.

The Governance Framework will set out the detailed governance arrangements and may include:

- a governance framework for MHHS Implementation, including the creation of the MHHS Programme Steering Group and other representative and/or specialist groups as are required for MHHS Implementation;
- a change control process for MHHS Implementation;
- further details in relation to performance assurance for MHHS Implementation; and
- the initial MHHS Target Operating Model.

Proposer's Rationale

This Modification seeks to build a robust and successful implementation structure for MHHS. Ofgem has drawn on feedback and lessons learned from other energy market change programmes, to develop a robust set of obligations, governance proposals and assurance principles with the aim of ensuring effective and timely implementation of MHHS, bringing benefits to consumers.

This Modification has been developed as part of the [Electricity Settlement Reform SCR](#). It has been previously consulted on widely with stakeholders through Ofgem's [January 2021 Consultation on Programme Implementation Principles](#) and its [April 2021 Consultation on Implementation and Governance Arrangements](#). Ofgem published its [decision on the final implementation and governance arrangements to apply for MHHS](#) on 11 August 2021.

P423 will be progressed in parallel with code changes to other affected code bodies, including the Connection and Use of System Code (CUSC), the Distribution Connection and Use of System Arrangement (DCUSA) and the Smart Energy Code (SEC). It will also be incorporated into the Retail Energy Code (REC) once it is launched, which will obligate them to modify their codes, systems and processes so that MHHS implementation can take place effectively and in a coordinated way.

MHHS Code Changes

For the avoidance of doubt, P423 will **not** introduce the changes needed to give effect to MHHS itself. The changes needed to give effect to MHHS will be developed and managed by the Implementation Manager and will be implemented in the BSC via an Ofgem direction using powers granted under the Smart Energy Act.

P423 will instead introduce the governance framework that is required for the Implementation Manager and industry to give effect to MHHS.

Legal text

Proposed changes have been made to BSC Sections C, D and Annex X-1 to give effect to P423. These changes can be found in Attachment B.

4 Applicable BSC Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Positive
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

Ofgem believe this modification will positively facilitate Applicable BSC Objectives (c) and (d) and is neutral on all other Relevant Objectives.

The positive impact on Objective (c) is because P423 will facilitate the delivery of MHHS. Having a robust set of implementation and governance arrangements in place will ensure the efficient and timely delivery of the MHHS programme. While not directly impacting upon competition in the electricity generation and wholesale markets, the successful implementation of the programme has a wider impact in developing a more effective energy market and encouraging increased market entry by new suppliers and others who will offer new and innovative products and services to consumers.

Ofgem believes P423 will positively impact Applicable Objective (d) by embedding a robust set of detailed code obligations, governance arrangements and assurance principles in the BSC. These will ensure that all MHHS programme parties are incentivised to deliver the programme in a cost effective, timely and efficient manner. This will ensure that the transition to the new settlement arrangements from the current arrangements is managed effectively by all the parties. In addition, as mentioned above, the introduction of MHHS will result in a faster and more efficient settlement system.

Impacts and costs overview

As noted, P423 will introduce only the governance framework required by the Implementation Manager and industry to implement MHHS. As such, the only costs expected as a direct result of this Modification are those incurred by Elexon to implement the necessary document-only changes.

This Modification will impact all those parties identified as MHHS Participants, as defined in paragraph 12.2.15 of Section C of the legal text - see Attachment B. For clarity, this includes:

- BSCCo (as a MHHS Participant, excluding its role as Implementation Manager);
- Suppliers;
- Licensed Distribution System Operators (LDSOs);
- The Data Communications Company (DCC);
- MHHS Affected Code Bodies;
- Data Aggregators;
- Data Collectors;
- Meter Operators Agent (MOAs); and
- Any other person or category of person which the Authority directs.

MHHS Participants will be obligated to facilitate the implementation of MHHS to varying degrees, dependent on their role. A full description of these obligations are provided in paragraphs 12.11 – 12.16 of Section C in Attachment B.

Estimated central implementation costs of P423

Direct costs of implementation for Elexon are restricted to document only changes.

Implementation cost estimates			
Organisation	Item	Implementation (£k)	Comment
Elexon	Systems	N/A	N/A
	Documents	<£1k	Cost of Elexon updating three Sections of the BSC
Industry	Systems & processes	N/A	Impacts would be as a result from MHHS implementation rather than P423.
Total		<£1k	

Estimated on-going costs of P423

No ongoing costs to Elexon or market participants are expected as a direct result of P423, rather any ongoing costs are considered to be attributed to the implementation of MHHS itself.

P423 impacts

All MHHS Participants will be obligated to facilitate the implementation of MHHS to varying degrees, dependent on their role. Section 12.12 of Section C in Attachment B describes those obligations to which all MHHS Participants must adhere. Please note that the DCC has no obligations beyond those listed in section 12.12. Paragraphs 12.13 – 12.16 in Section C of Attachment B describes those obligations that are more specific to each MHHS Participant.

Again, P423 itself will not significantly impact MHHS Participants, rather the impacts expected are attributed to the implementation of MHHS itself.

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated impact
Suppliers	P423 will bind MHHS Participants to comply with MHHS governance	L
LDSOs		
Data Aggregators		
Data Collectors		
MOAs		

Impact on the NETSO	
Impact	Estimated cost
Separate Connection and Use of System (CUSC) Modification to be progressed by Ofgem that will bind the NETSO (as the code body) to comply with MHHS governance as an MHHS Participant. No costs are expected as a result of P423.	N/A

Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
Rules Management	Minor impact to implement necessary Code changes.	L

Impact on BSC Settlement Risks	
No direct impact on BSC Settlement Risks, as this Modification is creating the governance framework to allow the implementation of MHHS rather than implementing MHHS itself.	

Impact on BSC Systems and process	
BSC System/Process	Impact
No impact	No impact

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
No impact	No impact

Impact on Code	
Code Section	Impact
BSC Section C	Changes to authorise Elexon to exercise new powers and functions in respect of the governance and operational procedures. In addition, amendments to place detailed obligations on MHHS programme parties, including BSCCo as a MHHS participant.
BSC Section D	Changes to clarify and authorise Elexon to recover costs or levy participation charges on signatories in order to pay for these new governance and operational procedures.
BSC Section X, Annex X-1	Changes to amend a number of definitions to align with the new governance and operational procedures.

Impact on EBGL Article 18 terms and conditions and objectives	
It is Elexon's view that P423 would not impact on BSC provisions that constitute EBGL Article 18 terms and conditions, as listed in Section F Annex F-2. It would also not create any new provisions that could be seen to constitute EBGL Article 18 terms and conditions.	

Impact on Code Subsidiary Documents	
CSD	Impact
No impact	No impact

Impact on other Configurable Items	
Configurable Item	Impact
No impact	No impact

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impact
Connection and Use of System Code	Separate Modification to be progressed by Ofgem that will bind the code body to comply with MHHS governance as an MHHS Participant
Data Transfer Services Agreement	No impact



What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:

- i) new providers and technologies?
- ii) a move to hydrogen or lower greenhouse gases?
- iii) the journey toward statutory net-zero targets?
- iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

Impact on Core Industry Documents and other documents	
Document	Impact
Distribution Code	
Distribution Connection and Use of System Agreement	Separate Modification to be progressed by Ofgem that will bind the code body to comply with MHHS governance as an MHHS Participant
Grid Code	No impact
Master Registration Agreement	No impact
Retail Energy Code	Separate Modification to be progressed by Ofgem that will bind the code body to comply with MHHS governance as an MHHS Participant
Smart Energy Code	
Supplemental Agreements	No impact
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Ofgem are progressing Modifications to DCUSA, CUSC and SEC in parallel with this modification. These code changes will formally obligate them to work collaboratively with Elexon using the new operational and governance procedures that are being added to the BSC. Ofgem will be progressing code modification proposals for the other codes in due course. This approach has been confirmed in [Ofgem's update letter](#), published on 12 August 2021, also detailing the timelines for each modification.

Ofgem also expects to make changes to the REC once version 2.0 comes into force, which will be no earlier than 1 September 2021.

Impact on a Significant Code Review (SCR) or other significant industry change projects

This change is being progressed as part of Ofgem's Electricity Settlement Reform Significant Code Review. This is an Authority-led SCR Modification which has been the subject of previous consultation (April 2021).

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Positive
3) Reduced environmental damage	Positive
4) Improved quality of service	Positive
5) Benefits for society as a whole	Positive

P423

Authority Led SCR
Modification Consultation

24 September 2021

Version 1.0

Page 14 of 22

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Ofgem have highlighted four areas as having benefits from the implementation of MHHS, which this Modification will facilitate.

Lower bills than would otherwise be the case

Ofgem anticipates that the successful introduction of MHHS will make the electricity market more efficient by reducing frictional costs. It will also incentivise suppliers to offer new tariffs and products that encourage a more flexible use of energy and help consumers to lower their bills, for example time of use tariffs, automation, vehicle to grid solutions and battery storage. Ofgem estimate that MHHS will deliver net benefits to GB energy consumers in the range of £1,559m-£4,509m (NPV) between 2021 and 2045.

Reduced Environmental Damage

Ofgem believes that MHHS will play a strategic role in supporting the transition to a net zero electricity system. It will send accurate signals to suppliers about the cost of serving their customers throughout each day, something that will incentivise suppliers to offer new tariffs and products that encourage more flexible use of energy and help consumers to lower their bills. It will help to minimise the overall cost to current and future consumers of moving to a net zero electricity system, while maintaining security of supply and system efficiency, through reducing the need for infrastructure investment and facilitating more efficient use of generation and network assets.

Improved quality of service

Ofgem believes the incentives created by MHHS will encourage development of new products and services for consumers, helping them use electricity more flexibly, saving money and reducing their carbon footprint.

In management terms, responsibility for developing and then implementing MHHS will be with industry – although Ofgem will retain the role of Programme Sponsor. The industry-led approach will give industry more control over implementation, drawing on its deeper knowledge of, and expertise with, industry systems and processes, as well as allowing industry to take greater ownership of the reforms. As a consequence of this, central settlement processes will be more efficient.

Benefits for society as a whole

Ofgem anticipates MHHS will increase competition with suppliers, create a more flexible electricity wholesale market and facilitate the development of new, innovative business models, products and services that consumers can engage with in the future. It believes there will be numerous benefits, some quantifiable and some intangible, and it has published an [Impact Assessment that outlines this in detail](#).

Progression Approach

This is an Authority-led Modification in respect of a Significant Code Review and so the standard progression routes of Assessment, Straight-to-Report or Self-Governance do not apply.

Clause 3A.2 of Section F of the Code states that, in response to an Authority Led SCR Modification Proposal, the Code Panel shall prepare an Authority Led SCR Modification Report. Under the terms of that paragraph, that Report shall include, inter alia, "(d) a timetable for implementation of the Authority Led SCR Modification, including the date with effect from which such modification could take effect. Under the terms of paragraph 5.3A.6 of the Code, the timetable for completion of the procedural steps for an Authority Led SCR Modification, shall be set by the Authority in its sole discretion. This timetable is outlined below.

Proposed Timeline

Activity	Date(s)
Initial Authority Led SCR Modification Report presented to Panel	19 August 2021
Authority Led SCR Modification Consultation	24 August 2021 – 8 September 2021
Draft Authority Led SCR Modification Report presented to Panel	16 September 2021
Final Authority Led SCR Modification Report submitted to Authority	20 September 2021
Authority decision (target)	30 September 2021
Implementation	5WD following Authority decision

Recommended Implementation Date

P423 should be implemented at the earliest opportunity following Authority approval. As such, an Implementation Date of 5WD following Authority approval is recommended.

7 Consultation Questions

As P423 will introduce obligations on a large number of market participants, it is being circulated for industry consultation between 24 August 2021 – 8 September 2021. Responses to this consultation will be collated and presented to the Panel for consideration. The consultation will consist of the following questions:

Question
Do you agree with the Panel's initial unanimous recommendation that P423 should be approved?
Do you agree with the Panel that the redlined changes in Attachment B deliver the intent of P423?
Do you agree with the recommended implementation date?
Will P423 impact your organisation?
Will your organisation incur any costs in implementing P423?
Do you agree with the Panel's initial view that P423 does not impact the EBGL Article 18 terms and conditions related to balancing held within the BSC?
Do you have any comments on the draft Governance Framework document in Attachment C?
Do you have any further comments on P423?

Elexon presented the P423 Draft Authority Led SCR Modification report to the Panel at an ad hoc meeting on 19 August 2021.

Applicable BSC Objectives

The Panel unanimously agreed with Ofgem's opinion that P423 better facilitates Applicable BSC Objectives (c) and (d). A Panel Member commented that in relation to Applicable BSC Objective (c), the smart meter rollout benefits cannot be realised without this change; although the costs were high the benefits outweigh this. In addition, if industry is able to create a new environment that allows innovation to be challenged by providing quality services for customers, then this increase competition. Under Applicable BSC Objective (d), despite the additional costs, it makes sense for Elexon to manage and administer these rules as they already have the best expertise in this area and have previous experience of large change programmes i.e. this approach is the most efficient. Another Panel Member commented that P423 is also consistent with P413.

Separation Plan

A Panel Member noted the physical separation of the two Elexon roles (Implementation Manager and MHHS Participant) team and therefore queried whether the MHHS Programme team will be in the same office or situated at a different location. Elexon confirmed that the intention is to use one of the meeting rooms in the Elexon Offices at 350 Euston Road rather than looking for further accommodation that would come at an additional cost.

A Panel Member queried how the BSCCo Board will manage any conflicts of interest and whether it will have any links to the Senior Responsible Owner (SRO). Elexon advised that there have been a number of discussions with Ofgem on this point and noted nothing like this had not has been done before. Elexon noted that one member of the Executive team is acting as the Elexon Executive Sponsor for the MHHS Programme and the rest of the Executive Team are not involved in the Programme as Elexon is a market participant in its own right.

In respect of the Programme and reporting to the BSCCo Board, Elexon advised that the Elexon Executive Sponsor of the MHHS Programme is providing the BSCCo Board with a monthly update as to how the program is progressing, what their obligations are and if Elexon as SRO are fulfilling those obligations. Further, Ofgem noted that there are some high level provisions included in P423 which set out the limitations of the Board's involvement and engagement with the Programme. Ofgem advised that it had only recently received the draft separation plan so this had not yet been approved. A Panel Member encouraged early agreement of the separation plan, as he believed it was very important to finalise it early on.

Legal Text

A Panel Member noted 12.12.1(d) of the legal text which puts an obligation on participants to "refrain from any action that would unduly compromise or delay MHHS implementation". They therefore queried who would decide what is considered unreasonable and what this would be trying to avoid. Ofgem noted that this would be

aimed at Parties who would not be engaging in Programme activities e.g. not providing a testing environment when required. They confirmed that this would not apply to merger and acquisition activity so did not expect this to prevent parties from continuing with day-to-day business. However, Ofgem highlighted that with the current faster switching programme, there had been a lot of merger and acquisition activity but this had not got in the way of the ability for those parties to fulfil their obligations.

Cost Recovery

A Panel Member queried where Suppliers would be able to see the total cost recovered from Suppliers i.e. both the programme costs and the central system costs. Ofgem advised that this is something that will need to be managed via the MHHS Programme. Elexon confirmed that the appropriate mechanism for tracking the costs is currently being discussed. Another Panel Member emphasised that tracking of costs is very important as the legal text makes it clear that the cost is not a reason for Suppliers to disengage or fail to deliver on their Programme obligations.

Timetable

The Chair noted the tight turnaround in the timetable to make the ad-hoc Panel meeting on 16 September 2021 and queried whether there would be the opportunity to consider any comments received. Ofgem noted that it would not want to rush things through if substantial comments were received; they are optimistic in that the principles and drafting had previously been consulted on. Further, Ofgem had sought to take into account all comments received on the draft redlining and published how those comments had been addressed. However, if a number of substantial comments were received to the consultation then Ofgem may need to reconsider its current proposed timescales, though with the expectation that the Final Authority Led SCR Modification Report be submitted to the Authority before the end of September 2021.

Impacts

The NGESO Panel Member noted the absence of NGESO as an impacted Party commenting that they will have to contribute to the Programme as much as other parties. As a BSC Party, NGESO are supportive and pleased to be a part of the Programme (also part of the steering group) but suggested that this is drawn out further than is currently detailed in the report. Elexon agreed to this.

Governance

Finally, a Panel Member expressed disappointment that the appointment of the cross-code advisory group does not include the Code Administration Code of Practice (CACoP). He believed, the absence of CACoP undermined CACoP. Ofgem noted that the cross-code advisory group is part of the governance framework and as such is subject to the change process; issues such as this can therefore be raised by parties once implemented.

Panel's Initial Vote

The BSC Panel initially and unanimously:

- **AGREED** with the evaluation of the Authority Led SCR Modification Proposal as detailed in this report;
- **AGREED** that P423:
 - **DOES** better facilitate Applicable BSC Objectives (c);
 - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREED** that P423 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREED** a recommendation that P423 should be **approved**;
- **AGREED** the timetable for implementing the proposed Authority Led SCR Modification Proposal;
- **AGREED** an Implementation Date of:
 - 5WD following Authority approval;
- **AGREED** the draft redlined text in Attachment B; and
- **NOTED** the draft Governance Framework document in Attachment C.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSC	Balancing & Settlement Code
CACoP	Code Administrators' Code of Practice
CSD	Code Subsidiary Documents
CUSC	Connection and Use of System Code
DCC	Data Communications Company
DCUSA	Distribution Connection and Use of System Agreement
EBGL	European Electricity Balancing Guideline
MHHS	Market-wide Half Hourly Settlement
NETSO	National Electricity Transmission System Operator
NPV	Net Present Value
REC	Retail Energy Code
SCR	Significant Code Review
SEC	Smart Energy Code
SRO	Senior Responsible Owner

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	BSC Modification P413 'Market-wide Half Hourly Settlement Programme Manager'	https://www.elexon.co.uk/mod-proposal/p413/
5	Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case	https://www.ofgem.gov.uk/publications/electricity-retail-market-wide-half-hourly-settlement-decision-and-full-business-case
6	BSC Section C 'BSCCo and its Subsidiaries'	https://www.elexon.co.uk/the-bsc/bsc-section-c-bscco-subsidiaries/
6	BSC Section D 'BSC Cost Recovery and Participation Charges'	https://www.elexon.co.uk/the-bsc/bsc-section-d-bsc-cost-recovery-and-participation-charges/
6	BSC Section X, Annex X-1 'General Glossary'	https://www.elexon.co.uk/the-bsc/bsc-section-x-annex-x-1-general-glossary/

External Links		
Page(s)	Description	URL
6	Electricity Settlement Reform Significant Code Review: Launch Statement, revised timetable, and request for applications for membership of the Target Operating Model Design Working Group	https://www.ofgem.gov.uk/publications/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group
6	Market Wide Half Hourly Settlement (MHHS) – Consultation on Programme Implementation Principles	https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-mhhs-consultation-programme-implementation-principles
6	Market Wide Half Hourly Settlement (MHHS) – Consultation on Implementation and Governance Arrangements	https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-mhhs-consultation-implementation-and-governance-arrangements
6	Market-wide Half-hourly Settlement: Decision on implementation arrangements	https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-decision-implementation-arrangements?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_11-08-2021&utm_content=Market-wide+Half-hourly+Settlement%3a+Decision+on+implementation+arrangements&dm_i=1QCB,7HRH8,F31EM5,UGWHJ,1
13	Ofgem Update Letter - Electricity Settlement Reform Significant Code Review: Authority-Led Code Modification Proposals	https://www.ofgem.gov.uk/publications/update-electricity-settlement-reform-significant-code-review-authority-led-code-modification-proposals?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_12-08-2021&utm_content=Update+-+Electricity+Settlement+Reform+Significant+Code+Review%3a+Authority-Led+Code+Modification+Proposals&dm_i=1QCB,7HTKR,F31EM5,UH68G,1
13	Market-wide Half Hourly Settlement (MHHS): Final Impact Assessment	https://www.ofgem.gov.uk/sites/default/files/docs/2021/04/mhss_final_impact_assessment_final_version_for_publication_20.04.21_10.pdf