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Dear Justin,

Half-hourly settlement: Work Package for Development Phase and Planning for Post AWG work

Following my letter of the 21 October 2019, we confirmed the governance structure for the Development Phase of the Target Operating Model (TOM).¹ We are grateful for Elexon's continued involvement and welcome Elexon chairing of the Code Change and Development Group (CCDG) and the Architecture Working Group (AWG), and also providing a technical lead and secretariat to both groups.

As we are progressing through the TOM development work and Ofgem's regulatory decision making process, we now need to turn our minds to the effective and timely implementation of the new settlement arrangements. As you know, we are currently in the process of determining the best organisational and governance arrangements for the implementation phase of the programme, as well as looking at a whole programme plan for implementation. One of the issues that has become clear in this work is that further definition is needed over the TOM's architectural and technological design, for which we believe an additional phase of TOM work, post the AWG, is required. This will ensure all programme parties can work from these more detailed designs to implement MHHS. It is clear from your position having developed the TOM so far, that Elexon, is best placed to lead on developing a clear plan for subsequent phases of the TOM work.

As such, I am writing to set out the work package that we would like Elexon to carry out to assist Ofgem in the Development Phase and planning for subsequent phases of the TOM

¹ You can find this on the Ofgem website, here: <https://www.ofgem.gov.uk/publications-and-updates/updated-development-phase-governance-structure>

work. For completeness this includes the work that you have already been leading on the CCDG and AWG, but I am particularly asking for your support on work that looks beyond the completion of the current AWG work. To progress this in a timely way, please can you liaise with the Ofgem TOM team to agree the timescales of delivering this. As a draft version of the package has been discussed between our teams previously, I hope that this is what you expected. If you have any questions about anything in this package, please do not hesitate to get in touch with me or Jasmine Killen.

Finally, I would like to thank you once again for your support and the continued collaboration of Elexon in the TOM work. We are grateful for Elexon's involvement, commitment and dedication in supporting the progress with settlement reform, as well as the knowledge and technical expertise you bring to this work.

Yours sincerely,

Rachel Clark

Settlement Reform – Senior Responsible Owner

Appendix: Work Package

A) Code Change and Development Group (CCDG)

As set out in the Terms of Reference,² Elexon will chair the CCDG and provide a technical lead and secretariat. This will include Elexon developing straw-men to bring to the group for discussion on a number of technical areas, as well as the delivery of the CCDG recommendations to Ofgem. As an offshoot to the CCDG, a code and central body sub-group has been established and we would appreciate Elexon's help and support in keeping this group updated and engaged in the overall work and tasks for the CCDG, as well as leading the way in identifying and drafting the impacted sections of the BSC and Code Subsidiary Documents.

B) Architecture Working Group (AWG)

As set out in the Terms of Reference,³ Elexon will chair the AWG, and provide a technical lead and secretariat. This will include ensuring proper collaboration of the AWG group members to develop the recommendations to be delivered to Ofgem. As we both agree, it is important for Elexon to be, and be seen to be, a fair, open and transparent Chair and allow the group to debate and decide on suitable recommendations. To aid this fair and open discussion, we have included an Ofgem Technical Consultant in the group. Their role is to help the progress of the AWG and listen to feedback from members and yourselves to ensure the best process is followed, and the best solution for industry and the consumer is designed. If you have any concerns over the quality of the discussion and recommendations from the AWG at any point, please raise these with the Ofgem TOM Team.

C) Post Architecture Working Group Planning

We have reached the point in our SCR where we need to properly plan out the transition timetable, and this includes determining what is required architecturally and technologically to allow industry to design and build their own systems. We recognise there will be a further stage of design needed following the recommendations of the AWG. Whilst we are still determining the governance structure and delivery functions for transition, we are requesting Elexon, as the chair and technical lead of the AWG, to provide the proposed plans and outputs of the architectural design stage(s) following the AWG recommendations. It would be particularly helpful if you could provide information surrounding the next

² https://www.ofgem.gov.uk/system/files/docs/2019/12/mhhs_ccdg_terms_of_reference.pdf

³ https://www.ofgem.gov.uk/system/files/docs/2019/12/mhhs_awg_terms_of_reference.pdf

stage(s) of design, what the expected outputs will be for each stage and the estimated time to undertake the work required for each stage. This will then be used to build the transition timetable to MHHS and ensure industry understand the further stages of design required.

D) Design Advisory Board (DAB) and Ofgem TOM Board

As set out in the DAB Terms of Reference,⁴ the Elexon Technical Lead of the CCDG will be responsible for presenting TOM design options and recommendations to the DAB, as required. The role of the Elexon Technical Lead of the CCDG will also include acting as an observer at the DAB meetings and providing explanations of technical details and rationale upon request. The Elexon Technical Lead of the CCDG may also be invited to the Ofgem TOM board to present TOM design options as required and provide explanations of technical details, as described in the Terms of Reference of the CCDG. To confirm, it will be the Ofgem Technical Consultant who will be responsible for presenting technical AWG related information to the DAB and TOM board (if required).

E) Ofgem Policy decisions for Market-wide Half-Hourly Settlement (MHHS)

In the lead up to the Full Business Case we will continue to consider various policy issues. We may seek Elexon's advice on some of these areas, particularly areas where Elexon has specific expertise.

F) Educating and training

As part of developing the knowledge of the Settlement Reform team (and potentially other staff), Elexon has agreed to provide training and support to facilitate our understanding of settlement issues and the TOM. Ofgem will organise these sessions (at times convenient for the Elexon presenters).

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https://www.ofgem.gov.uk/system/files/docs/2019/12/updated_design_advisory_board_terms_of_reference_final.pdf