

## **MARKET-WIDE HALF-HOURLY SETTLEMENT: CODE CHANGE AND DEVELOPMENT GROUP (CCDG) TERMS OF REFERENCE**

This document sets out the Terms of Reference for the Code Change and Development Group (CCDG), for use during the next stage of developing the Target Operating Model (TOM) for Market-wide Half Hourly Settlement (MHHS).

This workgroup builds on the work already carried out by the Design Working Group (DWG), which has designed the Preferred TOM and transition approach.<sup>1</sup>

### **1. Purpose**

- 1.1. The objective of the MHHS project is to develop and then implement an enduring process for MHHS that delivers benefits for consumers by maximising the opportunities provided by smart metering in enabling a smart, flexible energy system.
- 1.2. To enable achievement of this objective, the CCDG will develop, consult on and recommend solutions for the detailed areas of the TOM design which the DWG and/or Ofgem identify as outstanding when the DWG delivered its final report in August 2019. The outstanding areas may include but are not limited to:
  - Industry standing data, including new or redundant data items;
  - GSP Group Correction;
  - Exception Reporting;
  - Interfaces between TOM services;
  - Registration, appointments and data arrangements;
  - Settlement of Export;
  - Settlement 'run-off' arrangements; and
  - Robust processes for Change of Measurement Classes

If necessary, the CCDG should consider or recommend transition approaches for given areas.

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<sup>1</sup> See the Ofgem website for the DWG Final report on the Preferred TOM and Transition Approach, here: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-dwg-final-report-and-proposed-new-governance-structure>

- 1.3. The CCDG will receive updates, and provide feedback on the work being undertaken by the Balancing and Settlement Codes (BSC) Performance Assurance Board (PAB) and Trading Disputes Committee (TDC) on the Performance Assurance Framework (PAF) and Disputes Process to support MHHS. This should include the CCDG's recommendation on which (if any) industry code changes to support this work should be progressed as part of the Settlement Reform Significant Code Review.
- 1.4. The CCDG will identify the changes required to relevant industry codes and subsidiary documents,<sup>2</sup> and will review and consult on draft legal text developed for each Code by the relevant Code Administrators.<sup>3</sup>

## **2. Scope**

- 2.1. The CCDG will deliver TOM development recommendations to the Ofgem TOM Team.
- 2.2. The CCDG will ensure that its recommendations are consistent with:
  - All related Ofgem policy decisions and steers, as published by Ofgem as part of its Significant Code Review on Electricity Settlement Reform;
  - The Architecture Working Group's recommendations;
  - Ofgem's overall MHHS project objectives, the TOM design principles and the TOM development principles;
  - The DWG's Preferred TOM design and transition approach/principles, unless Ofgem requests changes to these;
  - Any request, steer or decision from the SRO; and
  - Interactions between options and other aspects of market arrangements.
- 2.3. The Ofgem TOM Team will escalate the CCDG's recommendations to the Senior Responsible Owner (SRO), who will be advised by the Design Advisory Board as required, for decision. Final decision, on the TOM development recommendations, including transition approach and industry code changes, rests with the SRO.

## **3. Deliverables**

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<sup>2</sup> For more information on the Industry Codes and Code Administrators please see the Ofgem website: <https://www.ofgem.gov.uk/licences-industry-codes-and-standards/industry-codes>

<sup>3</sup> <https://www.ofgem.gov.uk/licences-industry-codes-and-standards/industry-codes>

- 3.1. The CCDG will, within 2 months of forming, provide a proposed work plan with timescales to Ofgem for approval. This will include the timelines for the final, and any interim, milestones and consultations. It will also include a list of CCDG decisions that are dependent on Ofgem policy decisions or recommendations made by the AWG.
- 3.2. By the agreed deadline, the CCDG will deliver a report to the Ofgem TOM Team that sets out:
- The CCDG’s recommendations on the development of the outstanding TOM areas, with accompanying evidence and rationale;
  - Feedback on the PAB’s and TDC’s MHHS PAF/disputes work, including the CCDG’s recommendation on which (if any) supporting industry code changes and/or subsidiary documents in this area should be delivered using MHHS project governance;
  - Tabulation of impacts on industry codes and industry-facing code subsidiary documents, with clear and easy to understand explanations of the impacts;
  - Draft legal text for each relevant industry code in preparation for implementation;
  - Work carried out on the transition approach for the developed areas;
  - Assessment of the recommendations against the TOM Design Principles and the TOM Development Principles;
  - Any dependencies on other work areas under the Significant Code Review on Electricity Settlement Reform, other Significant Code Reviews or other industry initiatives; and
  - The consultation responses received by the CCDG on the above areas.
- 3.3. The Ofgem TOM team may request other deliverables as appropriate. These may include providing technical input on policy issues or on any potential changes to the TOM design following Ofgem’s Request for Information and Impact Assessment.

#### **4. Role of ELEXON**

- 4.1. ELEXON will chair the CCDG and will provide the workgroup with a technical secretariat function and one or more technical leads.

- 4.2. The Chair will ensure that the CCDG completes its deliverables to the timescales agreed with Ofgem (as set out in paragraph 3.1.), and the requirements contained in these Terms of Reference. This includes facilitating discussion across the group, enabling challenge, ensuring options are considered thoroughly, ensuring that interested parties have opportunity to engage in discussions and that proposals should be generated and developed in a way which ensures credibility across all the parties involved. The Ofgem TOM Team will provide support to the Chair as required.
- 4.3. The technical secretariat will provide notification of meetings (including their time, date and location) and shall circulate associated paperwork to the CCDG. Agendas and papers will be circulated at least 5 working days in advance of each meeting, except in the case of any matters that the Chair deems to be urgent. A summary of the key decisions and actions will be circulated within 10 working days of the meeting. With the exception of any confidential items, ELEXON will publish all CCDG paperwork on its website.
- 4.4. The technical lead(s) shall:
- Advise the CCDG on technical matters relating to Settlement and the TOM development/transition;
  - Lead on identifying BSC impacts and drafting BSC legal text for the CCDG's review;
  - Lead on identifying and developing options, 'straw men' analysis, and other materials for discussion by the CCDG;
  - Co-ordinate with other relevant industry codes on their impacts and legal drafting;
  - Co-ordinate with the PAB and TDC on their related work and ensure that the CCDG receives timely updates on this work;
  - Lead the drafting of consultations and reports for the CCDG's review and approval;
  - Regularly update the Ofgem TOM team on the progress of the work outside of formal meetings of the CCDG;
  - Present the CCDG's recommendations to the Ofgem TOM Board and Design Advisory Board, as required to support the SRO's decision-making, providing explanation of technical detail and rationale upon request; and

- Attend the Architecture Working Group as an observer.

## **5. Membership**

- 5.1. Ofgem will appoint members to the CCDG following an open invitation to apply for membership. It is anticipated that the group will have no more than 12 members. ELEXON will publish a list of members on its website.
- 5.2. Ofgem will identify, with ELEXON's advice, which applicants are best placed to perform the tasks and achieve the objectives of the CCDG. This includes ensuring that the group's membership includes a range of stakeholder viewpoints and has collective coverage of the following areas of expertise:
- Detailed BSC Settlement processes and the ability to identify how these are impacted by reforms;
  - Market Participants' roles and processes;
  - The regulatory framework;
  - Other relevant industry codes (including the DCUSA, MRA, REC and SEC);
  - Relevant consumer issues; and
  - Relevant innovation and technology aspects that MHHS might influence/enable.
- 5.3. The other relevant industry Code Administrators would not be full members of the CCDG, and would therefore not be required to attend all scheduled meetings. However, they can attend any meeting as an observer and would be specifically invited to attend meetings to contribute as required in order to support the CCDG in its work.

## **6. Participation**

- 6.1. The CCDG shall agree its day-to-day ways of working in order to deliver its Terms of Reference. This may include varying the number/timing of meetings as required to support its workload, use of teleconference or other remote meetings and collaboration by members outside of formal meetings. This may include sub-working groups to work on specific aspects. ELEXON shall provide appropriate meeting and conferencing facilities.

- 6.2. Wherever possible, the CCDG's recommendations will be based on a consensus view. However, where a different minority view exists, the Chair will ensure that this is considered and reported in the group's consultations and reports. If in exceptional circumstances, a member believes a minority view is not properly being taken into account and should be escalated to Ofgem for decision, this should be provided in writing to the Ofgem TOM team, setting out the reasons for the escalation and the minority view.
- 6.3. CCDG members will not have alternates. Where attendance by all members is not possible, meetings will be held on the basis of the majority availability of members.
- 6.4. The Chair and Ofgem will have the discretion to invite interested parties, or outside experts, to attend any meeting on an ad-hoc basis to support as required. Code Administrators of other relevant industry codes will also be invited to attend its meetings as required to support its work. (See clause 5.3 for more information on Code Administrator involvement)
- 6.5. CCDG members are expected to fulfil a full participatory role in the workgroup, including input into any work before/between meetings and review of output from the meetings.
- 6.6. Ofgem can, in consultation with the Chair, revoke the membership of a CCDG member if:
- The member fails to contribute constructively to the work of the group; and/or
  - There are circumstances that, in Ofgem's view, mean that the member's continued participation would be to the detriment of achieving the objectives of the CCDG for MHHS. If members consider that such circumstances exist, it is their responsibility to bring the matter to the attention of the Chair and Ofgem TOM Team.
- 6.7. Views expressed by CCDG members/attendees will be treated as expert advice in the delivery of its function.
- 6.8. It is members' responsibility to ensure their compliance with competition law while participating within the CCDG.
- 6.9. Ofgem will attend the CCDG as an observer to monitor progress and to provide strategic input on the development to ensure it fits with the project objectives and principles. For the avoidance of doubt, Ofgem is not a member of the CCDG and

cannot vote on recommendations. Any discussions in meetings and views expressed or implied in such discussions, or in associated documents, are without prejudice to, and shall not limit, the discretion of Ofgem with regard to its final decisions.

## **7. Review of these Terms of Reference**

- 7.1. Ofgem may review the CCDG's Terms of Reference, membership and operation at any time in consultation with the Chair.
- 7.2. Following a review under clause 7.1, Ofgem may make changes to the Terms of Reference, membership, or operation of the CCDG to ensure they remain appropriate for the requirements of the MHHS project.