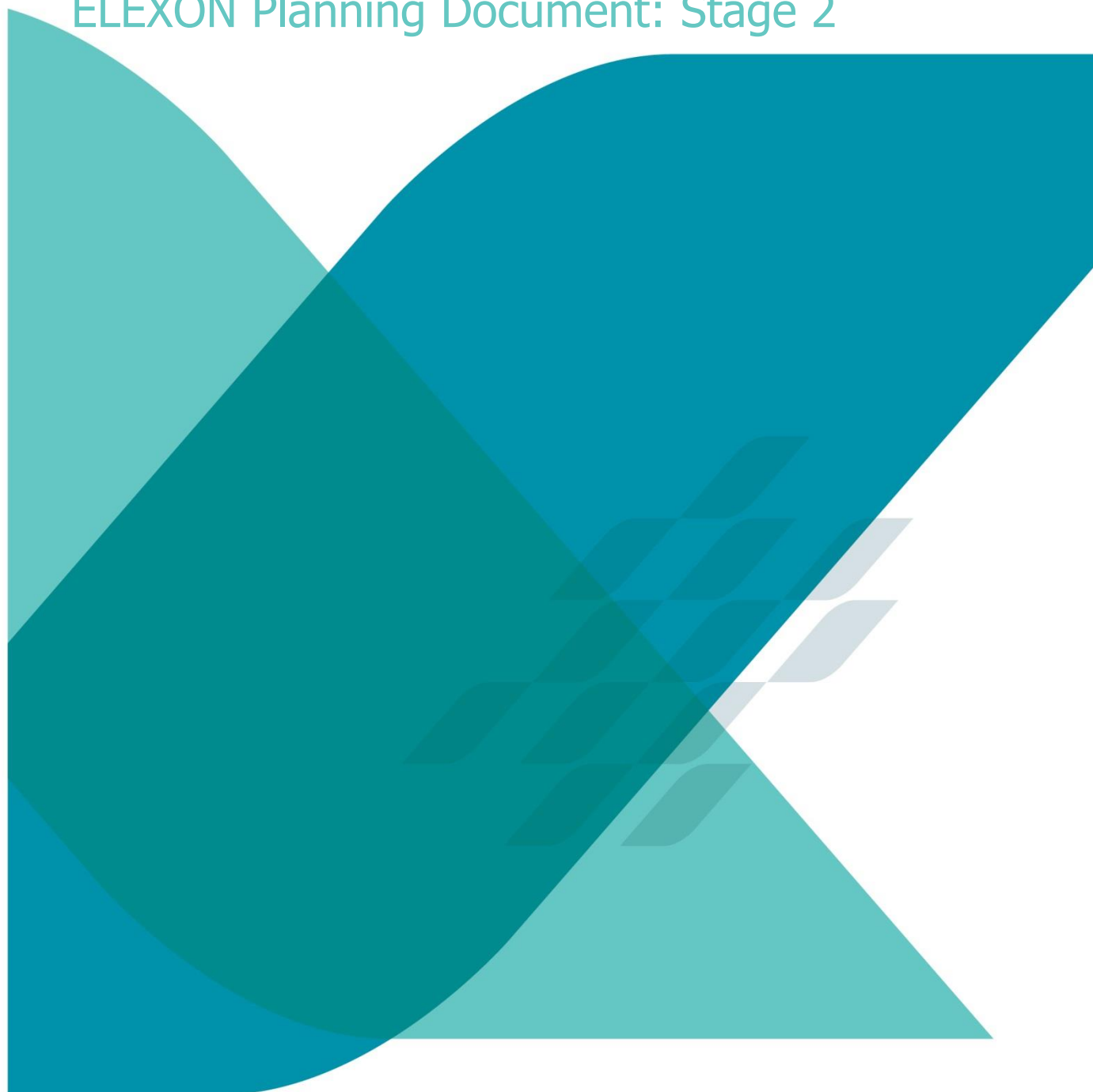


PUBLIC

# Market-wide Half-Hourly Settlement

ELEXON Planning Document: Stage 2



ELEXON

Version 2.0

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# MARKET-WIDE HALF-HOURLY SETTLEMENT

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# MARKET-WIDE HALF-HOURLY SETTLEMENT

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## INTRODUCTION

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This document provides an updated high-level plan for progression of ELEXON-led work to support Ofgem's Significant Code Review (SCR) on Market-wide Half-Hourly Settlement (MHHS). It is a revised version based on completion of Stage 1 of the ELEXON work and focuses on the detailed design development in Stage 2.

Ofgem proposed, in the [SCR Launch Statement](#), that ELEXON leads on the development of Settlement arrangements for MHHS, known as the Target Operating Model (TOM). This follows ELEXON's offer to lead the TOM design work using an expert group.

ELEXON Design Authority will, as part of the Ofgem SCR, lead the design work to develop the options and recommendations for the TOM and provide these to Ofgem for decision. The Design Working Group (DWG) is chaired by ELEXON and has experts from all aspects of the energy community including consumer representatives, industry organisations and innovators/new technology bodies. Ofgem is not a member of the DWG but attends meetings as an observer and provides strategic input where necessary.

In Stage 1 of the SCR, the DWG delivered [a report](#) setting out five skeleton TOMs. Ofgem approved this report and the DWG issued the five skeleton TOMs for consultation during April-May 2018. The [responses](#) confirmed all five TOMs to be viable options and that the DWG had not missed any other TOM or significant aspects of design. The responses also showed no industry consensus at that stage on an overall preferred TOM. As a result, the DWG is taking all of the TOMs forward for further detailed design and evaluation in Stage 2.

In Stage 2, the DWG has established four sub-workgroups supplemented with experts in more detailed areas. These workgroups will assist in developing the high-level requirements for specific TOM services as follows:

- Workgroup 1: Metering, Meter Reading and Retrieval Services
- Workgroup 2: Processing and Load Shaping Services and Registration Interaction
- Workgroup 3: Settlement Period Unmetered Supplies Service and Distribution Business Interaction
- Workgroup 4: Aggregation and Volume Allocation Services and Registration Interaction.

ELEXON will chair and facilitate the workgroups, which will report back to the DWG.

Ofgem is leading on three other work streams in the SCR: policy options, business case development and consumer protection. ELEXON will liaise with and support Ofgem to ensure that:

1. Any TOM options developed align with Ofgem's policy steers/decisions. Key policy areas that interact with the development of the TOMs are access to HH data for Settlement purposes, consumer protection and Ofgem decisions on whether or not to centralise agent functions.
2. Ofgem has sufficient information in its development of the business case for MHHS.

The DWG will use Ofgem's objectives, [Design Principles](#) and policy steers/decisions to develop and evaluate TOM options, delivering a final preferred TOM to Ofgem for decision. Ofgem will lead on the final decision-making process following the outcome of the business case. As part of the SCR launch statement, Ofgem developed a draft plan for the above work with the intention to make a decision on MHHS and its implementation arrangements in the second half of 2019.

In Stage 2, the ELEXON-led DWG will also develop a transitional plan for migrating existing Metering Systems to any new arrangements.

# MARKET-WIDE HALF-HOURLY SETTLEMENT

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## SCOPE

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ELEXON will be responsible for the development and delivery of options and DWG recommendations to Ofgem, for the Settlement design for MHHS. These include:

- A high-level TOM (service requirements, inputs and outputs) and capability requirements for system architecture; and
- A plan for transition from Non Half Hourly Settlement (NHHS) to MHHS.

The scope will cover all industry Supplier Volume Allocation (SVA) Settlement processes. The scope, approach and timeline of the work are to be agreed with Ofgem. ELEXON will also provide technical support to Ofgem on policy development (HH data access for Settlement purposes, data collection/settlement of export, whether or not to centralise some Settlement functions). ELEXON will also provide advice on consumer protection issues as requested by Ofgem.

## Design Working Group

The DWG will attend DWG meetings and may be required to undertake separate work outside the meetings. Members of the DWG's workgroups are expected to liaise and work with other group members to deliver the defined requirements to the timescales defined in the workgroups' [Terms of Reference](#). This will include undertaking work outside of meetings.

## EXTERNAL GOVERNANCE

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ELEXON's work forms one element of Ofgem's SCR programme of work on MHHS. Under the SCR work programme, Ofgem has developed and agreed with ELEXON the [Terms of Reference](#) for the DWG. The ToR sets out the scope, membership and decision-making powers of the DWG. Ofgem will provide timely guidance on DWG outputs and will attend the DWG meetings. ELEXON will report on TOM options and recommendations developed by the DWG to an external Design Advisory Board (DAB) for the SCR, led by Ofgem. ELEXON will also hold regular management meetings with Ofgem throughout the lifetime of the SCR to ensure work is on track.

Ofgem will sign off each deliverable against agreed acceptance criteria<sup>1</sup>. The TOM design work will feed into the Ofgem-led SCR work streams and Ofgem will manage interaction with the other work streams of policy options, business case development and consumer protection.

## RAID LOG

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The DWG will maintain a log of key Risks, Assumptions, Issues and Dependencies ([RAID log](#)) throughout Stage 2 and will review it regularly.

Ofgem will provide guidance on key dependencies as well as design principles for use in the development and assessment of TOM options.

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<sup>1</sup> The acceptance criteria are designed to ensure each deliverable meets Ofgem's expectations, e.g. that due process has been followed and content meets its description (not an evaluation of the TOMs themselves).

# MARKET-WIDE HALF-HOURLY SETTLEMENT

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## PROJECT TEAM

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Design Authority (DA) will lead the work within ELEXON. ELEXON and Ofgem have established the DWG for the TOM development work and Stage 2 will focus on the design of the high-level service requirements. When more clarity on the preferred TOM is available, the DWG will develop and consult on the transition plan for migrating existing Metering Systems to any new arrangements.

### DA Project Team and governance

The project will be a DA-led piece of work with the following internal governance structure. Ofgem will sign off each deliverable against the agreed acceptance criteria.

### Project Team

The Project Team will be responsible for the drafting of meeting papers, consultations and any other documents for the DWG. The team will also draft the other deliverables resulting from the DWG.

### Project Support

The Balancing and Settlement Code (BSC) Administration (BSC Admin) department will support the DWG in scheduling meetings and disseminating information to the DWG membership.

BSC Admin have established a [BSC webpage for the DWG](#) on which all relevant paperwork and meeting summaries will be posted for transparency to the wider industry. Any consultations that are undertaken by ELEXON on the TOM design will be published here and sent to any interested parties (list to be agreed with Ofgem). ELEXON will also run workshops/seminars/webinars to educate and inform interested parties.

The DA project lead has established internal support to the SCR from its Project Support Office (PSO) who will maintain the detailed plan, risks, assumptions, issues, dependencies and actions arising from the DWG.

Project Advisors will review the deliverables from the Project Team, including Senior Market Architects from DA, a Technical Design Architect and with input from BSC Operations and Professional Services Departments.

# MARKET-WIDE HALF-HOURLY SETTLEMENT

## HIGH-LEVEL DWG TIMETABLE: STAGE 2

The following may be amended depending on DWG progression and interaction with other areas of Ofgem's SCR. ELEXON shall maintain and publish a [Gantt chart](#) showing the latest timetable and milestones.

### High-level timetable



### DWG Stage 2: April 2018 – August 2019

**25 April 2018: 7th DWG meeting:** DWG agrees approach for developing the TOM service requirements and its initial approach to establishing workgroups.

**June–December 2018:** ELEXON establishes and facilitates DWG workgroups to develop service requirements.

**13 June 2018: 8th DWG meeting:** DWG discusses consultation responses and agrees the Terms of Reference, membership and key milestones for its workgroups.

**17 July 2018: 9th DWG meeting:** DWG reviews workgroups' progress and provides guidance.

**22 August 2018: 10th DWG meeting:** DWG reviews workgroups' progress and provides guidance.

**18 September 2018: 11th DWG meeting:** DWG reviews workgroups' initial draft service requirements and agrees its approach to the TOM evaluation and selection.

**October–December 2018:** DWG evaluates the TOMs and selects the final preferred TOM.

**18 October 2018: 12th DWG meeting:** DWG begins to evaluate the remaining TOMs.

**13 November 2018: 13th DWG meeting:** DWG reviews workgroups' refined service requirements, considers Ofgem's steers on associated policy areas and agrees a single preferred TOM.

**15 January 2019: 14th DWG meeting:** DWG agrees final TOM requirements and initial transition options.

**By end January 2019:** ELEXON delivers requirements and initial transition options for a single preferred TOM to Ofgem for approval.

**13 February 2019: 15th DWG meeting:** DWG agrees content of consultation on final TOM evaluation.

**February–March 2019:** ELEXON conducts a four-week consultation on the DWG's final TOM evaluation and initial transition options.

**26 March 2019: 16th DWG meeting:** DWG reviews consultation responses.

**April–May 2019:** DWG refines transition approach (may use a workgroup).

**22 May 2019: 17th DWG meeting:** DWG agrees transition approach for consultation.

**June–July 2019:** ELEXON conducts a four-week consultation on the DWG's transition approach. In parallel, ELEXON also undertakes a Settlement impact assessment.

**17 July 2019: 18th DWG meeting:** DWG reviews responses and the draft Stage 2 report, to feed into Ofgem's final business case decision.

**21 August 2019: 19th DWG meeting:** DWG agrees the final Stage 2 report.

# MARKET-WIDE HALF-HOURLY SETTLEMENT

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**By end of August 2019:** ELEXON delivers the Stage 2 report to Ofgem.

## Key policy milestone dependencies

The above timetable reflects that the final Ofgem policy decisions on centralisation of agent functions and data access/privacy may not be received in time for the DWG meeting on 13 November 2018. In this event, Ofgem intends to provide 'least regrets steers' to the DWG by its November meeting (while consideration on the policy decisions continues) so that the DWG can still finalise the TOM requirements and choose a single preferred TOM by January 2019.

The January 2019 report milestone is therefore dependent on Ofgem's 'least-regrets steers':

- Being provided in good time for the November DWG meeting;
- Giving enough detail for the DWG to finalise the TOM design and choose between the TOMs;
- Removing at least one TOM from consideration; and
- Not requiring significant extra 'hidden identity' impacts on existing TOM services or on services currently outside the TOMs.

Subsequent milestones from February 2019 onwards are dependent on having received Ofgem's final policy decisions on agent functions and data access/privacy, and these not differing from Ofgem's November 2018 steers. If the final policy decisions are different, then the DWG will need to consider the implications of this on the TOM requirements and the identification of the preferred TOM.

There remains a possibility that, after evaluating and reducing the number of TOM options, the DWG may still be unable to choose between the remaining TOMs without a further steer from Ofgem. In this situation, the decision would be escalated to Ofgem.

## IMPLEMENTATION PLANNING

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Ofgem's decision on if, when, and how to implement MHHS (subject to an impact assessment, as part of the business case) should be taken in the second half of 2019. If a decision to implement MHHS is made, planning will need to start and any Industry Code changes will need to be drafted and progressed as appropriate during 2020.

## REPORTING REQUIREMENTS

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High-level reporting requirements are as follows:

- DWG meeting headline reports will be published within 10 Working Days of each meeting;
- Internal reporting will be required on a monthly basis to the Executive Sponsor detailing the progress of the DWG in developing the TOMs. Ad-hoc updates will be required to the BSC Panel and ELEXON Board.
- The Ofgem-led DAB and TOM Board will also require progress updates from the DWG (via ELEXON) such that they can manage interaction with the other Ofgem work streams.

# MARKET-WIDE HALF-HOURLY SETTLEMENT

## HIGH-LEVEL LIST OF DELIVERABLES

### 1. Key Stage 1 deliverables (completed)

No.	Deliverable	Description	Date
1.	Final Stage 1 Report	Final Report to Ofgem containing the initial five skeleton TOMs.	April 2018
2.	Consultation on Skeleton TOMs	Industry Consultation Document on the initial five skeleton TOMs.	April 2018
3.	Responses to Stage 1 Skeleton TOM Consultation	Industry responses to the DWG's consultation on the initial five skeleton TOMs.	May 2018

### 2. Stage 2 deliverables

No.	Deliverable	Description	Date
1.	Detailed Timetable: Stage 2	Gantt chart giving the detailed timetable defining DWG meetings, milestones and activities. To be kept updated throughout Stage 2.	April 2018
2.	RAID Log: Stage 2	Document with Risks, Assumptions, Issues and Dependencies. To be kept updated throughout Stage 2.	April 2018
3.	Workgroup Terms of Reference	Terms of Reference and key milestones for the DWG's four workgroups.	June 2018
4.	Workgroup Progress Report	Paper containing the initial draft service requirements developed by the workgroups.	September 2018
5.	Refined Service Requirements	Paper containing the refined draft service requirements developed by the workgroups.	November 2018
6.	Report on DWG's TOM Recommendations	A report setting out the DWG's preferred TOM, the high-level TOM service requirements, high-level architecture capability requirements and initial high-level transitional options.	January 2019
7.	Consultation on Final Preferred TOM	Industry Consultation Document on the final preferred TOM, service requirements and initial transition options.	February 2019
8.	Responses to Stage 2 TOM Consultation	Industry responses to the DWG's consultation on its final preferred TOM, service requirements and initial transition options.	March 2019



## MARKET-WIDE HALF-HOURLY SETTLEMENT

No.	Deliverable	Description	Date
9.	Consultation on Transitional Approach	Industry Consultation Document on the DWG's proposed approach for transitioning to new MHHS arrangements.	June 2019
10.	Responses to Stage 2 Transition Consultation	Industry responses to the DWG's consultation on its proposed transition approach.	July 2019
11.	Final Stage 2 Report	Final Report to Ofgem on the findings of Stage 2.	August 2019