

UMS Exemption from Qualification for non-UMS Suppliers

Performance Assurance Board

Date of meeting **25 April 2024**

Paper number **PAB279/06**

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Purpose of paper **Decision**

Classification **Public**

Document version **1.0**

Summary **This paper outlines an approach to provide an exemption for non-UMS Suppliers from demonstrating UMS capabilities as part of Qualification.**

1. Background

- 1.1 Elxon presented a paper to the January 2024 PAB Meeting (PAB276/02) to request the PAB approve an exemption for a non-UMS Supplier from having to demonstrate UMS requirements as part of its Qualification.
- 1.2 The PAB approved the approach, subject to the following criteria being met:
 -) include a change to the BSC as part of the MHHSP Consequential Code drafting to codify the option for Suppliers to not have to demonstrate UMS capability; and
 - a) progress a change request with the Retail Energy Code (REC) to make a change to the Central Switching Service (CSS) to automate prevention of switching of UMS sites to a non-UMS Qualified Supplier.
- 1.3 To address (a), Elxon and the Market-wide Half Hourly Settlement (MHHS) Programme updated Section J of the BSC¹ as part of the MHHS Consequential Code Drafting – Mop-Up Two.
- 1.4 To address (b) Elxon met with REC representatives to discuss the progression of the REC change.
- 1.5 At this meeting, Elxon was informed that this would be a significant and costly change to the CSS system and processes. As CSS does not currently hold relevant UMS information, CSS lacks the functionality to prevent the registration of MSIDs/sites per Market Segment. Therefore, the REC were not supportive of the change and believed if the change request was raised it would likely be rejected due to the costs outweighing the perceived risk.

2. Elxon View

- 2.1 Elxon acknowledges the approval of the exemption from demonstrating UMS capabilities as part of Qualification for non-UMS Suppliers poses a risk to Settlement, where non-UMS Suppliers are appointed to UMS site which they are unable to support and therefore settle accurately.
- 2.2 Elxon have developed the following controls and mitigations for this risk:
 - a) A section has been added to the Qualification Assessment Document² (QAD) to include questions regarding the controls implemented by non-UMS Suppliers to ensure they do not acquire UMS customers. This update was included in the version of the QAD published for industry consultation in February 2024 and approved at the March 2024 PAB meeting (PAB278/06).

¹ Party Agents and Qualification Under the Code

² <https://www.mhhsprogramme.co.uk/qualification/qualification-assessment-document>

- b) Following a call with PAB Members on 16 March, Elexon made further changes to the UMS exemption QAD section. As an additional control, Suppliers which request an exemption from UMS but have UMS sites registered to the MPID will be required to provide a clear and credible plan to de-register those MSIDs in advance of migration.
 - c) Following Qualification of a Supplier, the Qualified Persons Workbook will note any exemptions associated with any Supplier. This document will remain public and be accessible by all Suppliers and UMS customers.
- 2.3 Additionally, as part of P434³, reporting has been established to allow sight of UMS appointments by Supplier MPID. Elexon also receive data from SMRS via quarterly extracts which details the registrations for UMS MSIDs.
- 2.4 This reporting enables the identification of non-UMS Suppliers who have gained UMS customers and therefore would trigger Elexon to initiate the following process:
- a) Elexon will contact the Supplier to highlight the issue and request an immediate resolution.
 - b) If an unsatisfactory (or no) response is received, Elexon will escalate the Supplier to the next PAB meeting for the Supplier to explain the situation and outline an appropriate resolution plan.
- 2.5 Suppliers which have Qualified as a non-UMS Supplier will be required to undergo Re-Qualification if they wish to be appointed to UMS customers in the future, prior to taking on those appointments.
- 2.6 When considering the mitigations and reporting set out above, it is important to highlight that Unmetered Supplies currently account for 1-2% of the total energy of the market. Therefore, Elexon deems that the overall risk to the accuracy of Settlement from non-UMS Suppliers being appointed to UMS sites is low.

3. MHHS Programme View

- 3.1 The exemption of Qualification for non-UMS Suppliers is a fundamental assumption within the MHHS Programme and is now part of the proposed legal baseline in Code drafting. If this exemption is not upheld, then the Go-Live date of the MHHS Programme is likely to be delayed by approximately 6 months with the associated loss of benefits estimated at £90m per annum by Government.
- 3.2 To facilitate codification of the exemption option, the MHHS Programme has supported the delivery of the updated Code drafting as described above (a). This update will be included in the Code drafting approved for implementation at MHHS Go-Live and therefore is part of the legal baseline for MHHS.
- 3.3 Additionally, the Programme considered what automated controls may be able to be put in place to stop UMS migrations for Suppliers not qualified for UMS. As highlighted by the REC, a system change to prevent Change of Supplier migrations requires a significant change in the CSS, while a systems change to prevent Change of Agent migrations would also require a significant change to the Registration service. Both options would be costly and would also delay MHHS Go-Live significantly. Therefore, the focus would need to be on the controls non-UMS Suppliers have in place to prevent such migrations which will be detailed in QAD submissions.
- 3.4 To support the Elexon measures above and to ensure consistency between the design and the legal baseline in Code drafting, the MHHS Programme are proposing to add the following Supplier requirements into the baselined design:
- a) a Supplier not Qualified for UMS shall not migrate UMS MPANs into the new MHHS arrangements.
 - b) a Supplier not Qualified for UMS shall not register UMS MPANs in the new MHHS arrangements.
- 3.5 This will give explicit design requirements for the MHHS Programme to refer to in discussion with Suppliers for Migration and for Code Bodies to refer to in the QAD and in any non-compliance enforcement actions.

4. REC View

- 4.1 The view from the REC Technical Change Team is that the changes to CSS to automate the prevention of switching of a UMS site to a non-UMS Supplier would be significant and disproportionate to the perceived level of risk.

³ 'Half Hourly Settlement for UMS Metering Systems'

- 4.2 Currently a block of switching is only possible at an MPID level and the data required to allow a block at market segment level is not available in CSS. The effort required to enable this change would be considerable and incur substantial cost.
- 4.3 The REC also informed Elexon that due to the current MHHS Change Freeze applied to CSS, any technical changes would need to be added to a backlog with implementation from 2026 onwards, i.e. post the MHHS Qualification timeline.

5. Conclusion

- 5.1 Elexon notes the potential risks related to upholding the exemption for non-UMS Suppliers from having to demonstrate UMS requirements as part of their Qualification without an automated control to prevent switching. However, Elexon believes that the mitigations and reporting outlined above provide robust controls for management and are proportionate to the level of risk to Settlement that UMS poses.

6. Recommendations

- 6.1 We invite the PAB to:
- a) **NOTE** the controls, mitigations and monitoring outlined in the paper; and
 - b) **APPROVE** the exemption for a non-UMS Supplier from having to demonstrate UMS requirements as part of its Qualification.

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