

# Joint update from Elexon and REC Code Manager on Market-wide Half-Hourly Settlement Qualification: Request for Exemption from Suppliers

## Performance Assurance Board (PAB)

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**Summary** This paper has been jointly produced by Elexon and the REC Code Manager to set out:

- **Queries raised by some Suppliers on the scope of MHHS Qualification and their ability to meet the requirements as currently set out based on their business model.**
- **The plan to develop an approach to understand the extent of this matter and develop an appropriate solution to manage similar requests.**

## 1. Background

### Role of the PAB

- 1.1 The Balancing and Settlement Code (BSC) and Retail Energy Code (REC) Performance Assurance Boards (PABs) sets the policy, approach, and risk appetite for Market-wide Half-Hourly Settlement (MHHS) Programme Qualification under the respective Code. Therefore, through this paper, we seek the PABs' steer on the nature and extent of the assurance activities for MHHS Qualification.

### Purpose of this Paper

- 1.2 In this paper, Elexon and the REC Code Manager (jointly referred to as Code Bodies) set out queries raised by some Suppliers and provide background on this topic. We have also outlined the plan to assess the risks associated with the request and develop an appropriate solution to manage similar requests.
- 1.3 In some instances, this paper uses BSC terminology used by the MHHS Programme, which is different to terms typically used under the REC.

### Useful Definitions

- 1.4 The following terms have been defined as per the [MHHS Programme Glossary](#) to support the interpretation of this paper:

Term	Definition
<b>Advanced Market Segment</b>	The Advanced Market Segment is the Market Segment where Settlement Level Period data is collected for Settlement purposes from Advanced Meters. For the avoidance of doubt where the Advanced Meter communications are faulty, the Advanced Meter would remain in this Market Segment, processed by the Advanced Retrieval and Processing Service (ARP). The communications' fault would be fixed by the Advanced Metering Service (MSA).

<b>Advanced Meter</b>	<p>The electricity supply licence defines an Advanced Meter as electricity Meter that, either on its own or with an ancillary device, and in compliance with the requirements of any relevant Industry Code:</p> <ul style="list-style-type: none"> <li>• provides measured electricity consumption data for multiple time periods, and is able to provide such data for at least half-hourly time periods; and</li> <li>• is able to provide the licensee with remote access to such data.</li> </ul>
<b>Prepayment</b>	A mode of payment where the consumer pays in advance for energy, also known as Pay As You Go energy. Prepayment is often used as a mechanism for debt collection from customers.
<b>Smart and Non-smart Market Segment (referred to as 'Smart')</b>	The Smart and non-Smart Market Segment is the Market Segment that covers smart Meters serviced by the DCC. This covers smart Meters with Settlement Period level data available and smart Meters where only Register Readings are available. It also covers non-smart Meters.
<b>Smart Meter</b>	A smart Meter is a Meter which is compliant with the Smart Metering Equipment Technical Specifications (SMETS). In addition to traditional metering functionality (measuring and registering the amount of energy that passes through it), a smart Meter is capable of providing additional functionality such as recording consumption/export in each half hour of the day and of being remotely read and configured.
<b>Smart Export Guarantee</b>	The Smart Export Guarantee is an obligation established by the government, imposed on electricity suppliers with at least 150,000 domestic electricity customers, to offer an export tariff and make payments to small-scale low-carbon generators for electricity exported to the grid. This came into effect in January 2020.
<b>Unmetered Supplies</b>	Unmetered Supplies (UMS) means a supply of electricity to a particular inventory of equipment in respect of which a Licensed Distribution System Operator (LDSO) has issued an Unmetered Supply Certificate. For example, this equipment could be any electrical equipment that draws a current and is connected to the Distribution Network without a Meter, i.e. there is no Meter recording its energy consumption, e.g. street lights, traffic signs, zebra crossings, etc.
<b>Unmetered Supplies Market Segment</b>	The Unmetered Supplies Market Segment is the Market Segment for Unmetered Supplies, e.g. street lights, traffic signs, zebra crossings, etc.

### Supplier Queries Received

- 1.5 Some Supplier organisations have reached out to seek exemption from MHHS Qualification requirements where the Supplier neither operates nor intends to operate certain type of Meter Points. From queries currently received by the Code Bodies, the requests can be categorised as one of the following:

Supplier category	Exemption requested	Number of Suppliers requesting exemption
<p>Industrial &amp; Commercial (I&amp;C) Suppliers who:</p> <ul style="list-style-type: none"> <li>are currently qualified as half-hourly (HH) -only Suppliers;</li> <li>hold a Non-Domestic only Supply Licence;</li> <li>are not registered with DCC to operate DCC-enrolled Smart Meters; and</li> <li>operate and intend to continue operating a portfolio of Advanced meters only</li> </ul>	<p>They are seeking exemption from MHHS requirements for Suppliers relating to the Smart Market Segment.</p> <p><i>Under the BSC, this would be to ensure they have appointed the Data Services of the correct Market Segment and processes for Meter Reads.</i></p>	6
<p>Suppliers who:</p> <ul style="list-style-type: none"> <li>Do not operate or intend to operate a Prepayment portfolio</li> </ul>	<p>They are seeking exemption from MHHS requirements for Suppliers relating to Prepayment.</p> <p><i>In the MHHS Design, the only difference for Prepayment is where there is a Non-Smart Prepayment Meter undergoing a Change of Energisation, the Supplier will receive an additional Meter Message from the MOA via the Data Transfer Network (DTN). This D0179 flow, which contains Prepayment information (for example credit balance) is an existing Market Message that MHHS Design is not changing.</i></p> <p><i>Under the BSC, Prepayment Meters are out of scope.</i></p>	2
<p>Suppliers who:</p> <ul style="list-style-type: none"> <li>Do not operate or intend to operate an Export portfolio</li> </ul>	<p>They are seeking exemption from MHHS requirements for Suppliers relating to Export.</p> <p><i>Under the BSC, this would include the Appointments of Export Meters and Suppliers need to ensure they have appointed the correct Data Services for the Market Segment.</i></p>	1

1.6 Six out of the nine requests have come from smaller I&C Suppliers who have stated they do not have the resources to support areas outside its business model and, therefore, seek exemptions from requirements for MHHS Qualification.

1.7 These requests have been ad hoc from Suppliers as there is no approved exemption process for MHHS Qualification in either the REC or the BSC.

#### Previous engagement on this topic

1.8 In August 2023, the Code Bodies facilitated discussion at the MHHS Qualification Working Group (QWG)<sup>2</sup> on potential role-based Qualification and sought QWG members' views on voluntary requirements. This was

<sup>1</sup> There are the current number of requests received and we anticipate more Suppliers may apply for these exemptions if available.

<sup>2</sup> QWG is a Level 4 Working Group within the MHHS Programme Governance responsible for defining the approach to Qualification Testing. This includes characterising the processes around how Parties will qualify under MHHS. Code Bodies and MHHS Programme use this forum to consult on proposed approaches and share the latest thinking on matter relating to MHHS Qualification. Membership of this working group is open to Party representatives and Subject Matter Experts (SMEs) working on MHHS Qualification. Each QWG meeting is attended by over 100 representatives from the industry.

based on a request from Suppliers participating in MHHS Programme's System Integration Testing (SIT)<sup>3</sup> who neither currently operate, nor intend to operate, UMS. MHHS Programme recognised a risk that requiring these Parties to prepare systems that support UMS processes for Qualification could potentially delay their readiness, thus impacting Programme milestones.

- 1.9 During this discussion, we sought views from QWG members on any other area which may require consideration from the Code Bodies to be classed as voluntary. As part of the solution development, Code Bodies also consulted with Ofgem on this to confirm these do not cause any license issues. This was with the intent to ensure all possible scenarios for exemption were considered and Code Bodies can work with the MHHS Programme team to implement controls, where required, to mitigate associated risks. These included:
- Based on Market Segment, i.e., Smart, Advanced Meter Points or UMS;
  - Based on Energy Direction, i.e., Import or Export energy direction only;
  - Based on Supply Licence, i.e., Domestic or Non-Domestic customer only; or
  - Based on the scale of Supplier operations, i.e., Small or Large Suppliers.
- 1.10 During this discussion, the view of the QWG members was that the only appropriate exemption would be for Suppliers who neither operate, nor intend to operate, UMS. Other scenarios were ruled out based on QWG members' views that the MHHS Design is consistent across the areas under consideration and therefore so should be Qualification. A QWG member gave an example that were the customer may need to change the Market Segment, and the inability of their Supplier to support this may lead to complexity. The QWG members' view was also that the risk of a Supplier gaining MPANs it was not qualified to service outweighed the benefits these exemptions may deliver.
- 1.11 Based on this feedback, only the UMS exemption was progressed with BSC PAB<sup>4</sup> and other potential exemptions were ruled out.
- 1.12 The Qualification Approach and Plan (QA&P) and Qualification Assessment Document (QAD) covering UMS exemption only was published for consultations in March and no comments were received around the need for additional exemptions,. Both documents were approved by the respective PABs in the March 2024 meetings.

## **2. Proposed approach to assess Supplier requests**

- 2.1 The Code Bodies are engaging with the constituency representative for I&C Suppliers to understand the Supplier perspective better. We are also engaging with Ofgem and the MHHS Programme to seek their views on this topic.
- 2.2 Any exemptions under the BSC and/or the REC would need to be approved by the respective PAB. Therefore, the Code Bodies intend to setup up a joint working group to consider these requests, assess risks associated with Suppliers not having systems and processes to deliver some Code obligations and propose a solution which allows the Code Bodies and their PABs to manage associated risks on an on-going basis.
- 2.3 For these working groups, we are seeking volunteers from:
- BSC PAB
  - REC PAB
  - Elexon
  - RECCo
  - REC Code Manager
  - Ofgem
  - MHHS Programme
- 2.4 We intend to hold deep-dive sessions with this working group between 01 and 07 May to explore the options available and determine an appropriate solution that can be discussed with the QWG and QAG.
- 2.5 Where required, further sessions may be held between 20 and 31 May to discuss QWG feedback and before making a recommendation to BSC and REC PABs to approve respectively.
- 2.6 Based on the PABs' decision, the MHHS Qualification Approach and Plan and the Qualification Assessment Document will be updated as required. If it is determined by the REC or the BSC PAB that a Code change is

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<sup>3</sup> SIT is the end-to-end market testing facilitated by the MHHS Programme to test the MHHS Design. Participation in SIT is voluntary for Market Participants.

<sup>4</sup> There are no specific UMS requirements under the REC. These do not have any metering obligations and registration is managed by Unmetered Supply Operator (UMSO – a BSC role operated by the Distribution Network Operators (DNOs)) with the Supplier.

required to facilitate the solution, Elexon and the REC Code Manager will initiate such changes for consideration under the respective Code governance.

### **3. Guidance to Participants**

- 3.1 Pre-Qualification Submissions (PQS) are due from Programme Participants on 26 April 2024. The guidance for Suppliers seeking an exemption is to proceed with submissions based on the current position of no market segment exemption other than UMS.

### **4. Recommendation**

- 4.1 We invite the PAB to:

- a) **NOTE** queries raised by some Suppliers on the scope of MHHS Qualification and their ability to meet the requirements as currently set out based on their business model; and
- b) **NOTE** the plan proposed by Elexon and the REC Code Manager to assess risk and develop a joint appropriate response to these queries.

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#### **For more information, please contact:**

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