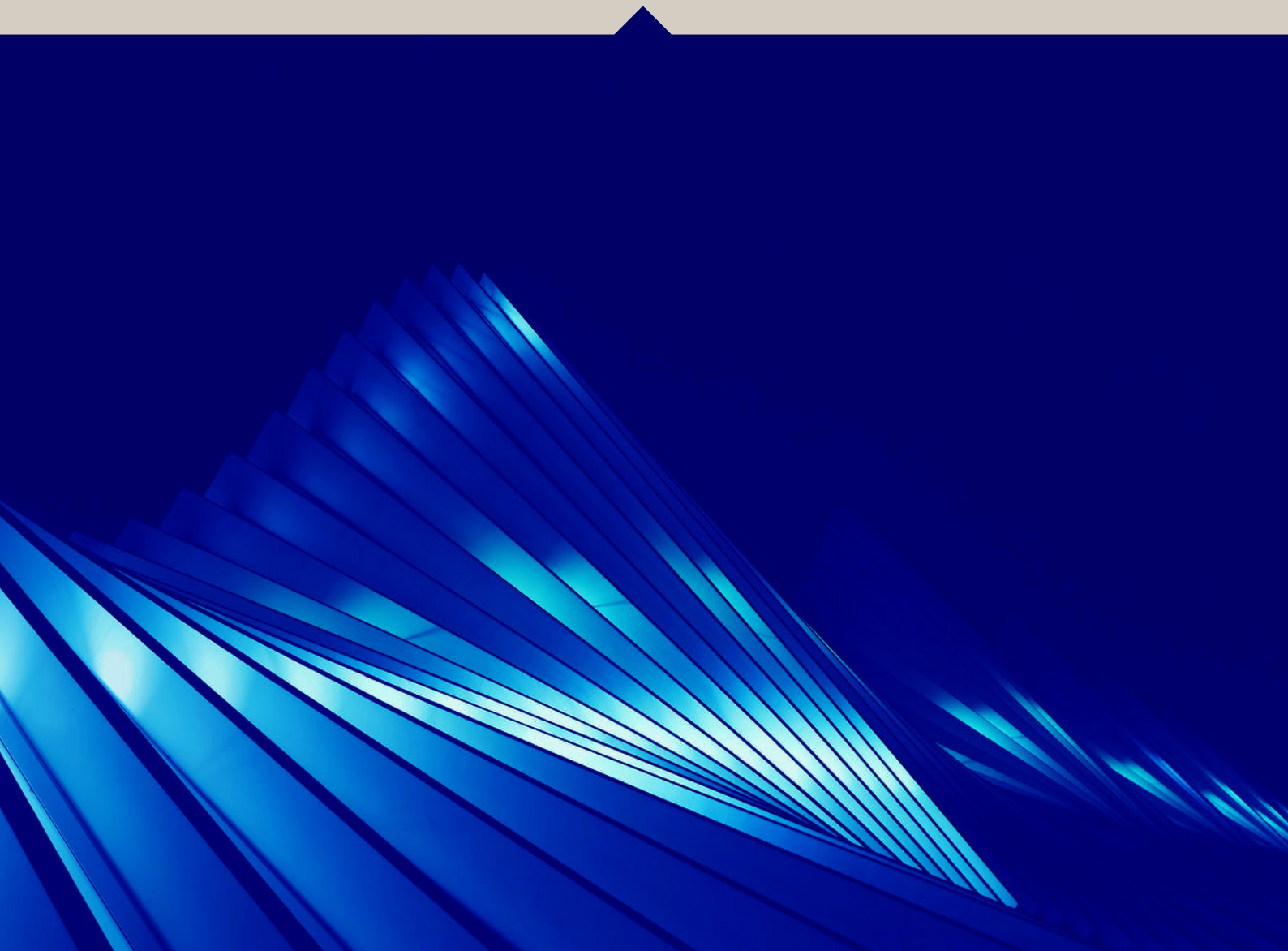


ELEXON'S VIEWS ON THE MARKET-WIDE
HALF HOURLY SETTLEMENT (MHHS)
PROGRAMME MANAGER ROLE

ELEXON

The Elexon logo consists of the word "ELEXON" in a bold, sans-serif font. The letters "E", "L", "E", and "X" are contained within a dark blue rectangular box, while the letters "O", "N", and the final "E" are positioned to the right of the box. The entire logo is centered horizontally on the page.

Elexon's views on the Market-wide Half Hourly Settlement (MHHS) Programme Manager role

MHHS will be one of the biggest overhauls of electricity Settlement since privatisation. It will amend the rules set out in industry codes and licences and require changes to central and participant IT systems. It will also transition all Metering Systems to new Settlement arrangements.

MHHS will make electricity Settlement quicker, more accurate and more efficient, while also enabling wider 'smart system' benefits. Ofgem's latest draft MHHS Impact Assessment identifies total net benefits for GB consumers of £1.6bn to £4.6bn over 25 years to 2045.

"MHHS will make electricity Settlement quicker, more accurate and more efficient, while also enabling wider 'smart system' benefits."

Since 2017, Elexon has been leading industry work to deliver the MHHS Target Operating Model (TOM) for Ofgem. We are supporting Ofgem's Significant Code Review by:

- Delivering the overall TOM design and transition approach (with the [Design Working Group](#)), which was given preliminary approval by Ofgem in October 2019.
- Overseeing the identification and drafting of the necessary industry code changes (with the [Code Change and Development Group](#) and other code bodies).
- Developing the appropriate architecture to support the TOM (with the [Architecture Working Group](#)), that will set the framework for subsequent IT system design.

Ofgem's consultation on the [Impact Assessment](#) for MHHS identifies the need for a substantive Programme Management function (PM), accountable to Ofgem for ensuring the successful implementation of MHHS. Ofgem is consulting on options, including performing this role itself. Another option is that an industry body provides some, or all of the PM roles. The consultation closes on 14 September 2020. Our response to the consultation is available on our [website](#).

Ofgem's proposed functions for PM role consist of:



A Programme Coordinator
to manage delivery of the programme and communicate with stakeholders



A System Integrator
to manage transition to new systems and services, including integration testing, with affected industry participants



A Programme Party Coordinator
to monitor and report on implementation progress of around 180 organisations, including Suppliers and other impacted participants

Ofgem may decide that these roles should be taken on by an organisation other than itself



We believe that Elexon is best placed to fulfil these roles because we have:

01
Expert understanding of MHHS



02
In-depth technical knowledge of electricity Settlement, managing the Balancing and Settlement Code (BSC) for 20 years



03
A proven track record of working alongside industry to deliver major reforms, including [Wider Access](#) to the Balancing Mechanism and [P272](#) (half hourly Settlement for businesses)



04
Consistently come top in Ofgem's [annual survey](#) of code administrator performance



05
A not-for-profit business model, meaning that we exist solely for the benefit of energy market participants therefore we put quality first and act in the best interests of the industry and consumers



Ofgem is proposing that whoever provides these roles recovers their costs from BSC Parties using the BSC's existing funding structure. Changes to the BSC will be needed to facilitate this

One further option is to bring in a third party to act as Programme Manager and we believe this would mean:



Higher costs



Higher delivery risks



Increased complexity of delivery and integration (due to lack of technical knowledge)



Potential delays in realising the vast benefits to end consumers

Using a third party to act as Programme Manager for MHHS implementation presents risks to successful and timely delivery

What's next?

In our response to Ofgem's consultation we have set out our case for being MHHS Programme Manager. We expect that this function will need to be in place from 2021 to 2025.

We believe that a Modification Proposal would use a proven route for adding the MHHS Programme Manager function to Elexon's responsibilities under the BSC. A Modification Proposal would build on existing BSC governance and give BSC Parties (who will fund the function) the opportunity to input into the decision-making process.

If you are responding to Ofgem's consultation on which organisation should fulfil the Programme Manager role, we would invite you to consider our views in your response. If you would like us to explain more about the role and our suitability for it, please get in touch at communications@elexon.co.uk.