Draft Modification Report

P413 'Enable Elexon to be the Programme Manager for the implementation of Market-wide Half Hourly Settlement'

P413 will require Elexon to provide Market-wide Half Hourly Settlement (MHHS) Implementation Management services under the BSC, as the BSC Company (BSCCo), where Ofgem determines that Elexon shall provide some or all of these services. Elexon may also appoint a MHHS Implementation Assurance Provider, depending on Ofgem's preference.

Under the **Proposed Modification**, Elexon's costs in providing MHHS Implementation Management services will be recovered from BSC Trading Parties by market share through the BSC's existing Main Funding Share mechanism.

Under the **Alternative Modification**, the costs will be recovered solely from Suppliers by market share through a new Specified BSC Charge.

P413 will also enable Elexon to participate in any competitive tender exercise that may be used to appoint MHHS Implementation Management services. Any Elexon bid costs will be recovered from BSC Trading Parties through the Main Funding Share, but subject to a cap.

The BSC Panel initially recommends **approval** of the P413 Proposed Modification

The BSC Panel **does not** believe P413 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- BSC Trading Parties that pay the Main Funding Share
- Elexon as the BSCCo

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Phase

- Initial Written Assessment
- Definition Procedure
- Assessment Procedure
- Report Phase
- Implementation

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Contents

1	Summary	4
2	Why Change?	8
3	Solution	12
4	Impacts & Costs	18
5	Implementation	24
6	Workgroup's Discussions	25
7	Workgroup's Conclusions	34
8	Panel's Initial Discussions	39
9	Report Phase Consultation Responses	40
10	Recommendations	42
Appendix 1:	Workgroup Details	43
Appendix 2:	Glossary & References	47

About This Document

Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 8 and 9
- Have 30 mins? Read all except section 6
- Have longer? Read all sections and the annexes and attachments

This is the P413 Draft Modification Report, which ELEXON will present to the Panel at its meeting on 11 March 2021. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are eight parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach. It also summarises the Workgroup's key views on the areas set by the Panel in its Terms of Reference, and contains details of the Workgroup's membership and full Terms of Reference.
- Attachment A contains the draft redlined changes to the BSC for the P413 Proposed Modification.
- Attachment B contains the business requirements for the P413 Proposed Modification
- Attachment C contains the draft redlined changes to the BSC for the P413 Alternative Modification.

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- Attachment D contains the business requirements for the P413 Alternative Modification.
- Attachment E contains the full responses received to the Workgroup's Assessment Procedure Consultation.
- Attachment F contains the Proposal Form.
- Attachment G contains the full responses received to the Panel's Report Phase Consultation.

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1 Summary

Why Change?

P413 is needed to facilitate Elexon's provision of MHHS Implementation Management services under the BSC, if Ofgem determines that Elexon should provide some or all of these services.

Without P413, the Proposer believes that there is a risk of longer MHHS implementation timescales, higher costs for the industry and a longer period to see the benefits of MHHS.[1]

Solution

Proposed Modification

The Proposed Modification solution and legal text are unchanged from the Assessment Procedure Consultation.

The Proposed Modification requires Elexon to provide MHHS Implementation Management services under the BSC, as the BSCCo, if Ofgem determines that Elexon shall provide some or all of these services. These services may include activities and responsibilities relating to MHHS programme management, system integration and programme party co-ordination (or any part of these). They may also include any other roles as may be necessary for, or reasonably ancillary to, the delivery of MHHS Implementation Management. If and to the extent required by Ofgem, Elexon will be accountable to Ofgem for its performance of these services. Elexon may also appoint a MHHS Implementation Assurance Provider, and shall appoint or remove any such provider if asked to do so by Ofgem.

If a competitive tender exercise is used to determine the provider(s) of MHHS Implementation Management services, then the Proposed Modification also contains provisions that seek to enable Elexon's participation in the tender process.

Under the Proposed Modification, both the costs involved in Elexon bidding for and/or providing MHHS Implementation Management services will be recovered from BSC Trading Parties through the existing Main Funding Share mechanism. Elexon bid costs will be capped at £100k. Elexon will be required to transparently report, to the BSC Panel and BSC Parties, its costs incurred in bidding for and/or providing MHHS Implementation Management services as well as any costs incurred by Elexon in respect of the MHHS Implementation Assurance Provider.

The Proposed Modification will increase, in absolute (£) terms, the amount of BSC Costs recovered through the Main Funding Share and therefore the BSCCo Charges of all BSC Trading Parties that pay that funding share. However, Trading Parties' percentage Main Funding Shares will not change as they will continue to be based on their market share across all Trading Parties. There will be no change to any other funding shares. No BSC Parties will therefore pay proportionally more or less BSCCo Charges, in percentage terms, than before.

[1] Ofgem's Draft Impact Assessment identifies total net benefits of MHHS for GB consumers of £1.6bn to £4.6bn.

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Alternative Modification

The Alternative Modification solution is unchanged from the potential Alternative Modification Option 2 set out in the Assessment Procedure Consultation. The Workgroup subsequently developed the Alternative Modification legal text for inclusion in the Report Phase Consultation.

The Alternative Modification is the same as the Proposed Modification, except that it will recover Elexon's ongoing costs in providing MHHS Implementation Management services solely from Suppliers through a new Specified BSC Charge. An individual Supplier's share of those ongoing costs will be based on its market share across all Suppliers. Any Elexon bid costs (if incurred) will still be recovered from Trading Parties through the Main Funding Share, according to Parties' existing proportions (%) of this funding share.

A BSC Trading Party's General Funding Share (and therefore its Default Funding Share, Default Share Amount and Voting Share) normally reflects its overall % proportion of Elexon's total BSC Costs. By levying all of Elexon's ongoing MHHS Implementation Management services costs on Suppliers, the Alternative Modification will increase Suppliers' overall share of BSC Costs. However, the Alternative Modification contains provisions to ensure that the new Specified BSC Charge is excluded from the calculation of Trading Parties' General Funding Shares, and thereby Default Funding Shares, Default Share Amounts and Voting Shares. This means that introducing the new Supplier-only charge will not cause a change to these % shares for any BSC Parties. All Parties' % Main Funding Shares also remain unchanged.

Interaction with Ofgem's latest consultation

P413 is an enabling Modification Proposal. The Proposer and Workgroup have developed the solution to be as flexible as possible to whatever approach Ofgem chooses to follow when determining the provider(s) of MHHS Implementation Management services.

Since the Workgroup consulted on the P413 solution in the Assessment Procedure Consultation, Ofgem has issued a consultation on MHHS Programme Implementation Principles. This sets out Ofgem's plan to place responsibility for management and delivery of the implementation of MHHS with industry, with Elexon managing the central programme functions and operating the programme governance processes.

The Workgroup noted that, although this lessens the uncertainty over Ofgem's intention, it does not fully remove it. The Proposer and Workgroup agreed that:

- P413 is already sufficiently flexible and there is therefore no need to delay its progression pending the results of Ofgem's consultation;
- The earliest possible progression and implementation of P413 will minimise any delays to MHHS; and
- If further provisions need to be included in the BSC, once Ofgem has developed the detailed governance arrangements later in 2021, then these can be progressed separately without delaying the enabling governance changes introduced by P413.

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Impacts & Costs

Proposed Modification Impacts

The P413 Proposed Modification is an enabling, Code-only change. Implementation costs are therefore minor and are limited to those incurred by Elexon in updating the relevant BSC Sections with the Proposed Modification legal text.

No central system changes or specific charging provisions are required to enable Elexon to recover MHHS Implementation Management services bid costs or ongoing costs from BSC Trading Parties, since the existing Main Funding Share mechanism will be used.

Alternative Modification Impacts

In addition to the BSC document changes, the P413 Alternative Modification requires changes to Elexon's Funding Share System (FSS), to enable Elexon to calculate, levy and reconcile the new Specified BSC Charge for Suppliers. It also requires extra BSC provisions to set out the rules for the new charge.

Cost Considerations

The table below shows the estimated costs of the Proposed Modification and the Alternative Modification.

Estimated Implementation Costs			
Organisation	Item	Proposed Modification	Alternative Modification
Elexon	Systems	0	£45k - £55k
	Documents	<£1k	£2k – £3k
	Other	0	£4k – £5k
Industry	Systems & processes	0	0
	Total	**<£1k**	**£51k - £63k**

The Workgroup noted that:

- The costs incurred by Elexon, as the BSCCo, in amending BSC systems, processes and documentation to implement MHHS, will occur regardless of whether Elexon is made responsible for providing any MHHS Implementation Management services. The costs of these changes are therefore outside the scope of P413 and will be recovered from BSC Trading Parties proportionally through the Main Funding Share in the normal way.
- Elexon's advice is that its costs in bidding for, or providing, any MHHS Implementation Management services will depend in part on Ofgem's chosen process and any more detailed service specifications. The costs of any other potential (non-Elexon) providers are also unknown. Attempts to estimate and compare possible providers' costs could be seen as prejudicial to Ofgem's decision process and Elexon's view is that this is therefore best left to Ofgem to consider.

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- Ofgem has proposed that BSC Parties should pay the costs of MHHS programme management functions (and that these should be BSC Costs) regardless of who actually provides these functions. It is outside the scope of P413 to include any BSC provisions for recovering costs associated with any non-Elexon providers of MHHS Implementation Management services. The Workgroup notes that, depending on Ofgem's final decision, it is still possible that BSC Parties will pay the costs of MHHS Implementation Management services under the BSC even in the absence of P413.

Implementation

Proposed Modification

The Panel initially recommends an Implementation Date for the Proposed Modification, as a Code-only change, of **5 Working Days (WDs) after Ofgem approval**.

This will ensure that there is no undue delay in establishing and commencing MHHS Implementation Management services, and therefore to the implementation and benefits of MHHS.

Alternative Modification

For the Alternative Modification, the Panel also initially recommends an Implementation Date of **5 WDs after Ofgem approval** for the same reasons as above. This is the date that the Alternative Modification legal text will become effective, thereby enabling Elexon to provide MHHS Implementation Management services.

Elexon will deploy the required BSC System changes (FSS) changes as soon as possible after the Implementation Date, allowing for the necessary system-change lead time. Any Elexon MHHS Implementation Management services costs incurred in the interim (i.e. between the Implementation Date and the deployment of the system changes) will be recovered using Trading Parties' Main Funding Shares initially and then reconciled once the new Supplier-only Specified BSC Charge is in place. The Alternative Modification legal text requires Elexon to reconcile the charges as soon as reasonably practicable. This is similar to the approach used for other charging-related Modification Proposals that have necessitated a regulatory change ahead of system implementation, for example P396[2].

Panel's Initial Recommendation

The BSC Panel initially unanimously agrees that, compared to the current baseline, both the P413 Proposed and Alternative Modifications will **better facilitate** Applicable BSC Objective (d) 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements'. The Panel also initially agrees, by majority, that the Proposed Modification will better facilitate Applicable BSC Objective (d) compared with the Alternative Modification. The Panel therefore initially **recommends to Ofgem that the P413 Proposed Modification should be approved** (not a Self-Governance Modification Proposal).

[2] P396: 'Revised treatment of BSC Charges for Lead Parties of Interconnector BM Units'. Further details on this Approved Modification can be found here.

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2 Why Change?

What is the issue?

P413 is needed to facilitate Elexon's provision of MHHS Implementation Management services under the BSC, if Ofgem determines that Elexon should provide some or all of these services.

Elexon, as the BSCCo, is only permitted to undertake the functions set out in the BSC. As the BSCCo, it must also act on a not-for-profit basis. Although previous Modification Proposal P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions' (if approved by Ofgem) would enable Elexon to bid for non-BSC work and recover these bid costs from BSC Parties, it would not provide a workable mechanism for Elexon to undertake MHHS Implementation Management services. This is because P390 only covers bid costs for non-BSC work and assumes ongoing costs will be funded outside the BSC. As a result, it requires Elexon to establish a ring-fenced subsidiary whose operational costs cannot be subsidised by BSC Parties.

P390 would therefore not enable Elexon to provide MHHS Implementation Management services under the BSC as the BSCCo. It also cannot deliver Ofgem's stated intention to recover MHHS programme costs from BSC Parties using existing BSC funding structures.

The Proposer believes that Elexon is best placed to provide MHHS Implementation Management services and therefore must be enabled to do so whatever the process used by Ofgem to determine the provider(s) for these services. Otherwise, the Proposer believes this could result in longer implementation timescales, higher costs for the industry and a longer period to see the benefits outlined in Ofgem's MHHS Draft Impact Assessment.

The Proposer also believes that MHHS Implementation Management services should be embedded within the BSC governance regime, to allow recovery of costs through BSC funding mechanisms (as proposed by Ofgem) and to ensure transparency for BSC Parties.

Ofgem's MHHS SCR process

In July 2017, Ofgem launched its Significant Code Review (SCR) on Electricity Settlement Reform. On Ofgem's behalf, Elexon has chaired and provided technical leadership to three industry working groups tasked by Ofgem with developing the Target Operating Model (TOM) for MHHS: the Design Working Group (DWG), Code Change and Development Group (CCDG) and Architecture Working Group (AWG). Elexon is accountable to Ofgem for the quality and timely delivery of these workgroup's outputs. Ofgem, as the Senior Responsible Owner (SRO) for the SCR, remains the final decision-maker on whether to approve these working groups' recommendations.

Ofgem will make the final decision on how and when to implement MHHS in its Full Business Case decision, which it intends to publish in Spring 2021. Following this decision, there will need to be implementation management of the:

- Changes required to licences and Industry Codes;
- Changes required to central industry systems and processes;
- Changes required to participant systems and processes; and
- Transition of all Metering Systems from the old to the new Settlement arrangements.

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Ofgem's original proposed MHHS implementation management functions

In June 2020, Ofgem published its Draft Impact Assessment Consultation for MHHS.

In this consultation, Ofgem proposed that accountability for successful delivery of the MHHS programme objectives should remain with the Ofgem SRO, with Ofgem performing the role of Programme Sponsor. It identified the need for a separate **Programme Management** (PM) function with the following three roles:

- An overall **Programme Co-ordinator** (PC) or **Programme Management Office** (PMO), responsible for creating and managing the overall end-to-end implementation plan including communication with stakeholders;
- A **System Integrator** (SI), responsible for managing the integration, testing and transition to the new central settlement system and new service components, including integration testing with participants on new or amended interfaces; and
- A **Programme Party Co-ordinator** (PPC), responsible for monitoring Parties' implementation progress (including scrutinising Parties' self-assessments) and reporting this to the PC/PMO.

The P413 legal text refers to these roles collectively as **MHHS Implementation Management services**.

Ofgem's consultation also proposed a separate **Assurance** function, responsible for assuring Ofgem that the PC/PMO, SI and PPC are able to achieve their plans and that robust systems of accountability are in place to incentivise this. The P413 legal text refers to this role as the **MHHS Implementation Assurance Provider**.

Ofgem's Draft Impact Assessment Consultation identified the following potential options for delivering these roles:

1. Ofgem taking responsibility for some or all of these roles;
2. An industry body (with relevant knowledge and capability) taking responsibility for some or all of these roles; and/or
3. A third party (not integral to the delivery of MHHS) taking responsibility for some or all of these roles on Ofgem's behalf.

Ofgem proposed that, under all three options, the costs of all roles would be met by BSC Parties using the current BSC funding structure regardless of who performs these roles.

Why should Elexon be enabled to provide MHHS Implementation Management services?

The Proposer notes that the primary impacts of MHHS are on the BSC. The MHHS TOM will deliver new/amended BSC services and Settlement arrangements, including a new Settlement timetable. It will also require a run-off of the existing Non Half Hourly (NHH) arrangements, which Elexon operates under the BSC. The Proposer believes that Elexon is best placed to deliver MHHS Implementation Management services, as a natural extension of its role as the BSCCo, due to Elexon's:

- In-depth technical knowledge and experience as BSC Code Manager;
- Technical leadership to the DWG's/CCDG's development of the meter-to-bank MHHS TOM design (including working with other code bodies to identify changes to impacted Industry Codes);

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- Technical leadership to the AWG's development of the reference architecture to deliver the MHHS TOM;
- Proven track record of delivering BSC and cross-code changes to time and quality, including programme management and system integration;
- Proven track record in supporting Ofgem's MHHS SCR; and
- Natural incentive to ensure that MHHS is implemented efficiently and effectively, since Elexon will be responsible for operating the enduring MHHS arrangements.

Desired outcomes

The Proposer's desired outcomes are that P413:

- Enables Elexon to participate in any process used by Ofgem to determine the provider(s) of MHHS Implementation Management services, in a way that is compatible with Ofgem's timescales;
- Enables Elexon to provide some or all MHHS Implementation Management services, if and to the extent determined by Ofgem;
- Requires Elexon, if and to the extent determined by Ofgem, to have overall accountability to Ofgem for its performance of these services;
- Enables Elexon to recover, from BSC Parties, its costs incurred in providing MHHS Implementation Management services;
- Enables Elexon to appoint the MHHS Implementation Assurance Provider (and requires Elexon to appoint or remove any MHHS Implementation Assurance Provider, if asked to do so by Ofgem), and recover the costs associated with this role from BSC Parties; and
- Requires Elexon to transparently report, to the BSC Panel and BSC Parties, its costs incurred in providing MHHS Implementation Management services as well as any costs incurred by Elexon in respect of the MHHS Implementation Assurance Provider.

Ofgem's latest Programme Implementation Principles consultation

At the time that the P413 Workgroup issued its Assessment Procedure Consultation in December 2020, it remained unclear what process Ofgem intended to follow to determine the provider(s) of MHHS Implementation Management services – including whether this would take the form of a competitive tender process. The Workgroup anticipated that Ofgem may require MHHS Implementation Management services to be in place as soon as possible after it makes its Full Business Case decision in Spring 2021, noting that the P413 Final Modification Report is scheduled to go to Ofgem for decision in mid-March 2021.

The Workgroup accordingly developed legal text that is as flexible as possible to Ofgem's choice of approach while keeping to the overall intention of P413.

On 22 January 2021, after the P413 Assessment Procedure Consultation closed but before the Workgroup made its final recommendations on 25 January, Ofgem issued a further consultation on MHHS Programme Implementation Principles. This sets out Ofgem's plan to place responsibility for management and delivery of the implementation of MHHS with

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industry, with Elexon acting as the SRO in recognition of its existing Settlement role as the BSC Code Manager.

In its consultation, Ofgem states that its plan is that:

- The broad MHHS programme functions set out in Ofgem's Draft Impact Assessment Consultation are still required;
- Ofgem will move ahead with an industry-led model, with day-to-day responsibility for managing the programme delivery sitting with industry. There will be regulatory (potentially licence) obligations on relevant programme parties to ensure effective implementation;
- Elexon will have responsibility for establishing, operating, and managing appropriate programme structures and governance to ensure timely and effective implementation of MHHS. This includes Elexon managing the central programme functions and operating the programme governance processes, with costs to be recovered under the BSC;
- Ofgem will remain the Programme Sponsor, with accountability for achieving programme objectives and with associated step-in rights;
- The industry-led approach will use or build on existing BSC structures and processes, rather than creating additional or new programme governance which may take time and affect delivery costs;
- Ofgem's Full Business Case decision in Spring 2021 will include a further iteration of the implementation plan, as well as objectives for the programme assurance function that Elexon should procure on behalf of the programme;
- Alongside or shortly after publishing its Full Business Case decision, Ofgem will publish proposals for further consultation on the programme governance structure. This will include consideration of accountabilities, decision-making and escalation routes, use of Ofgem's step-in powers and proposals for participation and representation to ensure well-informed and fair programme decisions; and
- An independent assurance assessment will be commissioned to look at Elexon's plans for leading the programme implementation, including its capacity and capability as well as managing any conflicts of interest. This independent assessor will have an ongoing remit to consider whether any potential conflicts of interest are being effectively managed and mitigated.

The P413 Workgroup noted that, although Ofgem's latest consultation lessens the uncertainty over Ofgem's intention, it does not fully remove it. The Proposer and Workgroup agreed that:

- P413 is already sufficiently flexible and there is therefore no need to delay its progression pending the results of Ofgem's consultation;
- The earliest possible progression and implementation of P413 will minimise any delays to MHHS; and
- If further provisions need to be included in the BSC, once Ofgem has developed the detailed governance arrangements later in 2021, then these can be progressed separately without delaying the enabling governance changes introduced by P413.

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3 Solution

Proposed Modification

The solution for the Proposed Modification has the following high-level business requirements:

- Elexon's BSC vires are amended to enable it (as the BSCCo) to participate in any process used by Ofgem to determine the provider(s) of MHHS Implementation Management services[3];
- Elexon is able to recover the costs of bidding for MHHS Implementation Management services from BSC Trading Parties as BSC Costs, subject to a cap of £100k, through the existing Main Funding Share[4] mechanism according to Trading Parties' market share[5];
- Elexon's BSC responsibilities are amended so that, if and to the extent determined by Ofgem, it is required (as the BSCCo) to carry out MHHS Implementation Management services as BSC activities for the duration of the period determined by Ofgem. These new BSC responsibilities will only come into effect (be 'switched on') if Ofgem determines that Elexon shall provide some or all MHHS Implementation Management services;
- Elexon is able to sub-contract any elements of MHHS Implementation Management services during the period in which it is responsible for the provision of these services;
- Elexon is able to recover the costs of providing MHHS Implementation Management services from BSC Trading Parties as BSC Costs, through the existing Main Funding Share mechanism according to Trading Parties' market share;
- Elexon is able to appoint a MHHS Implementation Assurance Provider (and must appoint or remove any such provider if asked to do so by Ofgem);
- The costs of the MHHS Implementation Assurance Provider role will be recovered from BSC Trading Parties as BSC Costs, through the existing Main Funding Share mechanism according to Trading Parties' market share;
- If and to the extent required by Ofgem, Elexon and any MHHS Implementation Assurance Provider will be accountable to Ofgem for their performance of their roles;
- Elexon will be required to transparently report, to the BSC Panel and BSC Parties, its costs incurred in providing MHHS Implementation Management services as well as any costs incurred by Elexon in respect of the MHHS Implementation Assurance Provider; and

[3] In the event of a competitive tender process, Elexon's participation would in practice still depend on the nature of that process – including any specific requirements for potential providers.

[4] The following types of Trading Party pay the Main Funding Share under the BSC: generators, Suppliers, non-physical traders, Interconnector Error Administrators and any Virtual Lead Parties with Energy Accounts. Although Interconnector Users are Trading Parties, they no longer pay the Main Funding Share following the implementation of Approved Modification P396.

[5] A Trading Party's Main Funding Share is its energy volume as a % of total energy volumes across all Trading Parties that pay the Main Funding Share. So the higher the Trading Party's % of those total energy volumes (i.e. the greater its market share among those Trading Parties), the higher amount that Party has to pay.

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- The P413 solution must be compatible with Ofgem's timescales for putting in place MHHS Implementation Management services and commencing these services' activities.

A full set of business requirements for the Proposed Modification can be found in Attachment B. The Workgroup developed these requirements before Elexon drafted the legal text. The requirements therefore use the original terminology from Ofgem's Draft Impact Assessment Consultation rather than that subsequently agreed by the Workgroup as being the most appropriate for the BSC legal drafting/provisions. The intention is unchanged and the Workgroup agrees that the legal text delivers the requirements.

Legal text

The legal text for the Proposed Modification is provided in Attachment A.

At the time that the Workgroup developed the legal text, it remained uncertain about what process Ofgem intends to use to determine the provider(s) of MHHS Implementation Management services. The Workgroup therefore agreed that it is appropriate to deliver the requirements in the most flexible way possible. As a result the legal text contains additional flexibility to that set out in the original business requirements, while still delivering the intention of P413.

Responses to the Assessment Procedure Consultation

Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P413 [Proposed Modification]?			
Yes	**No**	**Neutral/No Comment**	**Other**
4	0	1	0

All respondents to the Assessment Procedure Consultation agreed with the draft legal text for the Proposed Modification or were neutral. No respondents suggested any changes to the legal text and the Workgroup made no subsequent changes.

For the views of respondents to the Report Phase Consultation on the legal text, see Section 9.

Alternative Modification

The only difference from the Proposed Modification is that the Alternative Modification will recover Elexon's ongoing costs in providing MHHS Implementation Management services solely from Suppliers through a new Specified BSC Charge, according to their market share. Any bid costs (if incurred) will still be recovered from Trading Parties through the Main Funding Share, according to Parties' existing proportions (%) of this funding share.

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The Alternative Modification has the following high-level business requirements:

- The BSC Costs associated with Elexon's provision of MHHS Implementation Management services, as well as any costs incurred by Elexon in connection with the MHHS Implementation Assurance Provider, will be recovered solely from Suppliers as BSC Costs through a new Specified BSC Charge;
- The new Specified BSC Charge will be levied on a monthly basis and will not be an SVA Cost, since it does not relate to the costs of operating the SVA arrangements;
- The new Specified BSC Charge will be levied per SVA Metering System for which a Supplier is Registrant in the given month[6], and will represent Elexon's budgeted annual MHHS Implementation Management services costs divided by the estimated number of SVA Metering Systems in the year. The charge rate per individual SVA Metering System will be the same for each month in the year;
- Because the new Specified BSC Charge will be a fixed charge based on estimated costs and numbers of Metering Systems, it will not exactly recover actual costs in a given year.[7] Elexon will therefore undertake a reconciliation of the new Specified BSC Charge after year end. This will adjust the charge rate to correct any overall under-recovery or over-recovery of actual costs;
- If the FSS changes needed to support the new Specified BSC Change come into effect after the P413 legal text (due to required system-change lead times), then any MHHS Implementation Management services costs incurred by Elexon in the interim will be recovered from BSC Trading Parties using the Main Funding Share, and then reconciled on implementation of the FSS changes. This means Suppliers will receive some back-dated charges initially in Year 1; and
- Trading Parties' General Funding Shares (and therefore their Default Funding Shares, Default Share Amounts and Voting Shares) will not change as a result of the new Specified BSC Charge, even if the new charge results in Parties paying different overall proportions of Elexon's BSC Costs.

Full business requirements for the Alternative Modification are detailed in Attachment D. At the time that the Workgroup developed these requirements, it was considering two different options for a potential Alternative Modification. After considering the responses to its Assessment Procedure Consultation, the Workgroup agreed by majority to formally progress Option 2 from the consultation (requirement 14b in the business requirements) as the P413 Alternative Modification. The actual business requirements are otherwise unchanged.

The Workgroup developed the potential Alternative Modification requirements before Elexon drafted the Proposed Modification legal text. The requirements therefore use the original terminology from Ofgem's Draft Impact Assessment Consultation and not that subsequently agreed by the Workgroup for the Proposed and Alternative legal text.

[6] So the higher the number of SVA Metering Systems registered to an individual Supplier (i.e. the greater its market share among all Suppliers), the higher amount that Supplier has to pay.

[7] Although this is already true for other existing Specified BSC Charges, any difference in reality is usually small and is recouped/repaid across Trading Parties using the Main Funding Share. However, for P413, this would result in any surplus or shortfall being passed to generators and other non-Supplier Trading Parties. Given the potential costs involved in providing MHHS Implementation Management services, the Workgroup believed this would undermine the intention of the Alternative Modification solution.

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Legal text

The legal text for the Alternative Modification is provided in Attachment C. The Workgroup developed this after its Assessment Procedure Consultation, for inclusion in the Report Phase Consultation. For Report Phase respondents' views on the legal text, see Section 9.

Impact of Proposed and Alternative Modifications on Parties' BSCCo Charges

A Trading Party's **Main Funding Share** is its energy volume as a % of total energy volumes across all Trading Parties that pay the Main Funding Share.

A Trading Party's **General Funding Share** is its total % of BSC Costs (excluding Default Costs). It is calculated as the Trading Party's total Funding Share charges plus its total Specified BSC Charges. A Trading Party paying 1% of total BSC Costs will therefore have a 1% General Funding Share.

A Trading Party's **Default Funding Share** is its General Funding Share recalculated with the Defaulting Party's share of BSC Costs excluded from the total pot. It is used to recover Default Costs, which are the unpaid BSCCo Charges (not imbalance charges) of a Defaulting Party.

A Trading Party's **Annual Funding Share** is its rolling 12-month average of its General Funding Share (or its Default Funding Share where there has been a Default). A Trading Party's Annual Funding Share is used to:

- Calculate its **Voting Share** for voting on resolutions at Annual BSC Meetings (capped at 6% of the total votes)
- Determine its **Default Share Amount**, used to recover the unpaid Trading (imbalance) Charges of a Defaulting Party.[8]

Effect of Proposed Modification

Under the Proposed Modification, Elexon's MHHS Implementation Management services costs will be recouped from all Trading Parties who pay the Main Funding Share, in proportion to their market share across all Trading Parties. This means that, while charges go up in absolute (£) terms for all Trading Parties who pay the Main Funding Share, no individual Trading Party (or type of Trading Party) will be paying proportionally more or less BSC Costs than before in % terms.

As a result, the Proposed Modification has no impact on any BSC Parties' % Main Funding Shares, General Funding Shares, Default Funding Shares, Annual Funding Shares, Voting Shares or Default Share Amounts.

If a Trading Party who pays the Main Funding Share defaults, its unpaid BSCCo Charges will be higher in absolute (£) terms. This increased 'bad debt' will be recovered from all Trading Parties according to their (unchanged) % Default Funding Shares. Trading Parties' overall proportions of BSC Costs and Default Costs will not change in % terms. There is also no change to the absolute (£) amount of unpaid Trading Charges owed by a defaulting Trading Party, or to Trading Parties' % Default Share Amounts of that bad debt.

[8] Although Interconnector Users do not pay the Main Funding Share, they are Trading Parties, pay other types of BSCCo Charges and have General/Default/Annual Funding Shares and Voting Shares.

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Effect of Alternative Modification

By levying all of Elexon's ongoing MHHS Implementation Management services costs on Suppliers, the Alternative Modification will increase Suppliers' overall % share of BSC Costs and decrease non-Supplier Trading Parties' % share accordingly.

To avoid Suppliers being exposed to a higher % share of Default Costs as a result, the Alternative Modification will adjust all Trading Parties' General Funding Shares as if the new, Supplier-only, Specified BSC Charge did not exist – despite their changed proportions of total (pre-adjusted) BSC Costs. As a result, there will be no change to any BSC Parties' % Default Funding Shares, Annual Funding Shares, Voting Shares or Default Share Amounts. All Parties' % Main Funding Shares also remain unchanged.

Non-Supplier Trading Parties' BSCCo Charges in absolute (£) terms, excluding Default Costs, will be unchanged from both the current baseline and Proposed Modification.

If a Supplier defaults, the absolute (£) increase in their unpaid BSCCo Charges will be recovered from all Trading Parties, including non-Supplier Trading Parties, according to their (unchanged) % Default Funding Shares.[9] There will be no change to the absolute (£) amount of unpaid Trading Charges owed by a defaulting Supplier, or to Trading Parties' % Default Share Amounts of that bad debt.

Summary of impacts by Party type

The following table shows the proportionate impact of the Proposed and Alternative Modifications on BSCCo Charges by Party type. These are considered in isolation of any other factors that could affect Parties' BSCCo Charges in a given year.

[9] The Proposed Modification shares out all MHHS Implementation Management costs across Trading Parties (including Suppliers and generators), while the Alternative Modification shares out ongoing costs between Suppliers only but bid costs across all Trading Parties. The actual increased bad debt in £ of an individual defaulting Party will therefore depend on that Party's specific % market share of the mechanism(s) through which the costs are being recovered and will not be identical under both solutions.

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Impact on:	Proposed Modification	Alternative Modification
A Supplier	No change in % of total BSC Costs Increase in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount	Increase in % of total BSC Costs** Increase in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount
A non-Supplier Trading Party	No change in % of total BSC Costs Increase in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount	Decrease in % of total BSC Costs** No change in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount
A Licensed Distribution System Operator (LDSO)	No change in BSCCo Charges Do not pay Funding Shares Do not have Voting Shares Do not have Trading Charges	No change in BSCCo Charges Do not pay Funding Shares Do not have Voting Shares Do not have Trading Charges

*Excluding Default Costs

** Before being cancelled out through the General Funding Share adjustment.

Ofgem has proposed that the costs of providing MHHS Implementation Management services are recovered from BSC Parties under the BSC, regardless of who provides these services. Although it is outside the scope of P413 to include any BSC cost-recovery provisions for any non-Elexon provider(s) of MHHS Implementation Management services, the same potential options and implications considered by the Workgroup would apply to any solution that sought to recover these providers' costs from BSC Parties through the BSC.

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4 Impacts & Costs

Estimated implementation costs of P413

The central implementation cost for P413 is expected to be low:

- Proposed Modification: **<£1k**;
- Alternative Modification: **£51k - £63k**.

Estimated Implementation Costs			
Organisation	Item	Proposed Modification	Alternative Modification
Elexon	Systems	£0	£45k - £55k
	Documents	<£1k	£2k – £3k
	Other	£0	£4k – £5k
Industry	Systems & processes	£0	£0
	Total	**<£1k**	**£51k - £63k**

The estimated implementation costs in the table above are based on the assumptions detailed in the table below:

Estimated Implementation Costs Assumptions	
Solution	Key Assumptions
Proposed Modification	Costs estimated on the basis of developing legal drafting for two BSC sections.
Alternative Modification	Costs estimated on the basis of: • 10 Days of Elexon FSS testing and deployment • Updates required to relevant LWI, Section D Simple Guide, Funding Share Guidance Note and FSS system design documents • Legal drafting for 3 BSC sections • 0.5 Days for calculation of MHHS charge, required Panel paper & Specified Charges website updates.

Estimated on-going costs of P413

On-going Cost Estimates		
Organisation	Cost	Comment
Elexon	Negligible	No material process changes required to facilitate this enabling Modification for either the Proposed or Alternative solutions. The costs and impacts of Elexon actually providing any MHHS Implementation Management services are outside the scope of P413. The Elexon effort/costs involved in the annual setting and reconciliation of the new Specified BSC Charge under the Alternative Modification option will be minimal, and will be absorbed into existing processes.

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On-going Cost Estimates		
Organisation	Cost	Comment
Industry	None	The Assessment Procedure Consultation responses did not indicate any direct costs to BSC Parties of implementing P413.

P413 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated cost
BSC Parties	No action is required from BSC Parties to implement P413. Under the Proposed Modification, Elexon's costs incurred in providing MHHS Implementation Management services will be recovered from all Trading Parties that pay the Main Funding Share, levied by market share. Under the Alternative Modification, these costs would be recovered solely from Suppliers through a new Specified BSC Charge, levied by market share. Under both solutions, any costs incurred by Elexon in bidding for MHHS Implementation Management services would be recovered from Trading Parties through the Main Funding Share.	Low

Impact on the NETSO
No impact identified

Impact on BSCCo		
Area of ELEXON	Impact	Estimated cost
Document Management	Changes to BSC documentation	L
Finance	Testing and documentation updates (Alternative Modification only)	L
Settlement and Invoicing	Testing, documentation updates (Alternative Modification only)	L

Impact on BSC Settlement Risks
No impact identified

Impact on BSC Systems and process		
Solution	BSC System/Process	Impact
Proposed Modification	No impact	N/A.

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Impact on BSC Systems and process		
Solution	BSC System/Process	Impact
Alternative Modification	Funding Share System (FSS)	The Alternative Modification will require changes to this system in order to calculate, levy and reconcile the new Specified BSC Charge.

Impact on BSC Agent/service provider contractual arrangements		
Solution	BSC Agent/service provider contract	Impact
Proposed Modification	No impact	N/A.
Alternative Modification	No impact	N/A.

Proposed Modification Impact on Code	
Code Section	Impact
Section C	Changes are required to BSC Section C 'BSCCo and its Subsidiaries', which governs Elexon's required and permitted activities under the BSC. Draft Legal text is included in Attachment A.
Section X-1	Changes are required to the BSC Defined Terms under BSC Section X-1 'General Glossary'. Draft Legal text is included in Attachment A.

Alternative Modification Impact on Code	
Code Section	Impact
Section C	Changes are required to BSC Section C 'BSCCo and its Subsidiaries', which governs Elexon's required and permitted activities under the BSC. Draft Legal text is included in Attachment C.
Section D	Changes required to BSC Section D 'BSC Cost Recovery and Participation Charges'. Draft Legal text is included in Attachment C.
Section X-1	Changes are required to the BSC Defined Terms under BSC Section X-1 'General Glossary'. Draft Legal text is included in Attachment C.

Impact on EBGL Article 18 terms and conditions
No impact identified

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Impact on Code Subsidiary Documents	
CSD	Impact
No implementation impact identified	The P413 legal text for both the Proposed and Alternative Modifications allows the specification of MHHS Implementation Management services to be set out either in a Code Subsidiary Document or in an Ofgem document outside the BSC, to give flexibility depending on Ofgem's preference. Any required specification in CSDs would be developed separately to P413.

Impact on other Configurable Items
No impact identified

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impact identified.
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Distribution Connection and Use of System Agreement	
Grid Code	
Master Registration Agreement	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
This Modification Proposal is linked to Ofgem's SCR on Electricity Settlement Reform. However, the Proposer argues that it should not be subsumed into the SCR itself but that it should be progressed as a standard Modification Proposal. This is because BSC Parties will fund the costs of MHHS Implementation Management services. Any requirement on Elexon (as the BSCCo) to provide this function should therefore be considered and progressed under BSC governance. This Modification Proposal will still require Ofgem approval. The Proposer therefore argues that progressing it separately has no adverse impact on the SCR. Ofgem confirmed that P413 is SCR exempt on 9 September 2020.

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Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service	Neutral
5) Benefits for society as a whole Ofgem's Draft Impact Assessment Consultation identifies total net benefits for consumers of £1.6bn to £4.6bn as a result of implementation of MHHS. While this Modification Proposal has no direct impact in these areas, the Proposer argues that enabling Elexon to undertake MHHS Implementation Management services will be the best chance of realising these consumer benefits as early as possible and through an efficient not-for-profit service.	Positive

Responses to the Assessment Procedure Consultation

Will P413 impact your organisation?

Yes	No	Neutral/No Comment	Other
2	3	0	0

Two respondents stated that they would be impacted by P413 in the sense that their BSCCo Charges would increase. No respondents identified any other significant/direct costs as a result of implementing P413.

How much will it cost your organisation to implement P413? What will the ongoing cost of P413 be to your organisation?

On the basis of the above impacts, no respondents provided any specific costs.

Do you agree with the Workgroup's assessment of the impact on the BSC Settlement Risks?

Yes	No	Neutral/No Comment	Other
4	0	1	0

The majority of respondents agreed with the Workgroup's assessment of the impact on the BSC Settlement Risks (which is no impact).

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One respondent commented that, due to the nature of the Modification, they did not identify any direct risks to Settlement. They considered that there could be some potential for the existing Elexon service provision to be diluted due to the distraction of the new role, but that having the BSCCo heavily involved in the programme should serve to mitigate the potential risks. The respondent that did not agree with the Workgroup's assessment of the Settlement Risks did not support P413 and stated that they did not agree that appointing a non-Elexon provider for MHHS Implementation Management services would create the risks mentioned in P413.

Do you agree with the Workgroup's assessment that P413 does not impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?

Yes	No	Neutral/No Comment	Other
4	0	1	0

No respondents identified any impact of P413 on the European Electricity Balancing Guidelines (EBGL) Article 18 terms and conditions.

For the views of respondents to the Report Phase Consultation on the impacts and costs, see Section 9.

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5 Implementation

Recommended Implementation Dates

Proposed Modification

If the Proposed Modification is approved, the Panel recommends an Implementation Date of:

- **5 WDs** after Ofgem approval.

This will ensure that there is no undue delay in establishing and commencing MHHS Implementation Management services, and therefore to the implementation (and benefits) of MHHS.

Alternative Modification

If the Alternative Modification is approved, the Panel also recommends an Implementation Date of:

- **5 WDs** after Ofgem approval.

Implementing the Alternative Modification legal text as soon as possible gives the same benefits as for the Proposed Modification above.

Elexon will deploy the required BSC System changes (FSS) changes as soon as practicable after the Implementation Date, allowing for the necessary system-change lead time. Any Elexon MHHS Implementation Management services costs incurred in the interim (i.e. between the Implementation Date and the deployment of the FSS changes) will be recovered using Trading Parties' Main Funding Shares initially and then reconciled once the new Supplier-only Specified BSC Charge is in place. The Alternative Modification legal text requires Elexon to reconcile the charges as soon as reasonably practicable.

Responses to the Assessment Procedure Consultation

Do you agree with the Workgroup's recommended Implementation Date?

Yes	No	Neutral/No Comment	Other
4	1	0	0

All but one respondent agreed with the Workgroup's recommended Implementation Date for the reasons given by the Workgroup. The respondent that did not agree with the Implementation Date gave the rationale that they do not agree that P413 should be implemented.

For the views of respondents to the Report Phase Consultation, see Section 9.

How long (from the point of approval) would you need to implement P413?

All respondents stated that no lead time would be required for them to implement P413.

For the views of respondents to the Report Phase Consultation on implementation approaches, see Section 9.

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Cost Recovery Mechanism

Background

As part of the Panel-agreed Terms of Reference, the Workgroup was required to consider what the most appropriate cost-recovery mechanism for P413 would be. Ofgem, as part of its Draft Impact Assessment Consultation on MHHS, indicated to industry that BSC Parties are expected to pay (through the BSC) the costs associated with MHHS Implementation Management services. However, Ofgem did not specify which specific Parties would be expected to pay and what proportions of costs each type of Party would be expected to pay.

To aid understanding and discussion, Elexon circulated a paper explaining the current BSC cost-recovery mechanisms. Elexon highlighted the two types of recovery mechanism detailed in the BSC, these are:

- **Specified BSC Charges** - These are fixed '£ per unit' tariff costs that do not vary unless amended by the BSC Panel from time to time. Examples of these include the £250 per month that all Parties pay to be a member of the BSC (the Base Monthly Charge) and the fixed charges that Parties pay to register each Metering System or BM Unit. In 2019/20, 16% (1/6th) of BSC Costs were recovered by Specified Charges[10]; and
- **Funding Shares -** These recover the remainder of BSC Costs that have not been recovered through Specified BSC Charges. They are ratios calculated for each BSC Trading Party based on their energy volumes in the last month, which determines what share of the remaining BSC Costs they have to pay. Parties with larger energy volumes pay a larger share of these costs. We usually refer to this as paying proportionally according to market share. There are four types of BSC funding share, all of which are calculated and charged monthly. These are Main Funding Share, SVA (Production) Funding Share, General Funding Share and Default Funding Share. In 2019/20, 78% of BSC Costs were recovered through the Main Funding Share.

The figure below details how BSC Costs are broken down. Existing SVA-related charges (which the BSC calls SVA Costs) are those relating to the operation of the SVA arrangements and so would not include any costs involved in MHHS Implementation Management services.[11]

The Main Funding Share is used to recover the Net Main Costs, which are the costs not already recovered through any other specific mechanism – i.e. which are left over after applying the Specified BSC Charges and SVA-related charges. The Main Funding Share can be positive or negative – for example, a Supplier with more embedded generation than consumption may have a negative Main Funding Share. For an explanation of General, Default and Annual Funding Shares, see Section 3.

[10] Because the Specified BSC Charges are fixed and do not change often, the proportion of BSC Costs they recover depends on Elexon's Annual Budget for a given year.

[11] These SVA costs are split in a fixed 50:50 allocation between production (primarily generators plus other Trading Parties with production energy volumes, allocated through the SVA (Production) Funding Share) and Suppliers (allocated through the SVA Specified Charge). Within each of these overall allocations, the costs are then split among the relevant Parties by their market share within that segment.

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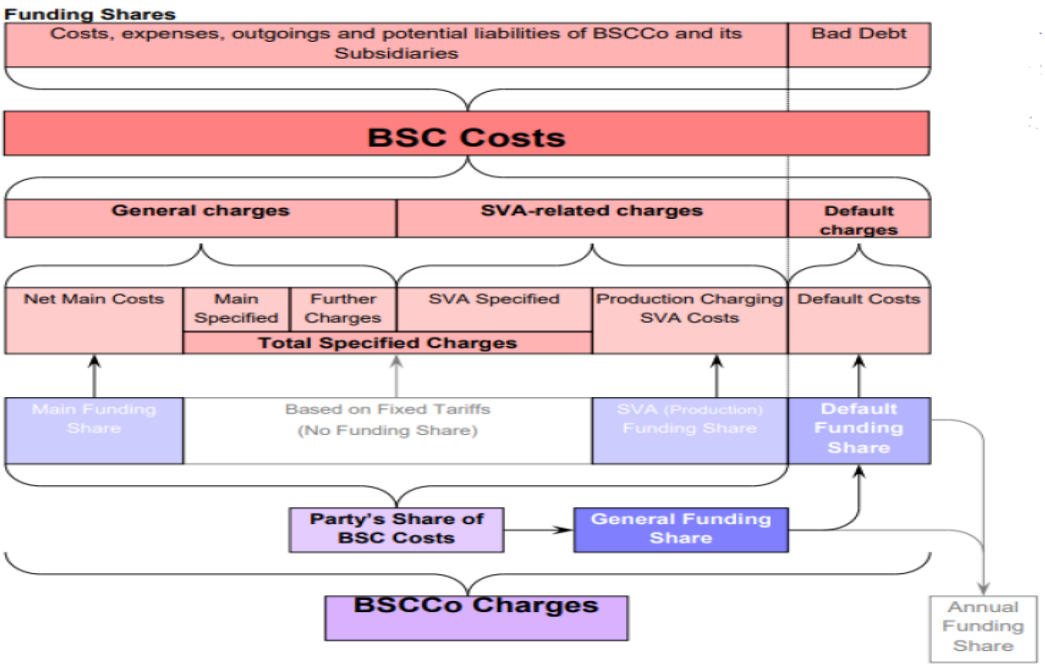

Overview of BSC Cost Recovery Mechanisms

Elexon highlighted that if P413 was implemented without changing the cost-recovery mechanisms detailed in the BSC, costs would be recovered via the Main Funding Share by default. This means that the costs would be recovered proportionally from all Trading Parties who pay the Main Funding Share (including both Suppliers and generators), according to their market share.

Which BSC Parties should pay?

At the 1st Workgroup meeting, some Workgroup Members expressed a preference for MHHS Implementation Management services costs to be targeted at Parties who benefit from the implementation of MHHS. These members believed that most generators would not benefit from MHHS and that Suppliers and Licensed Distribution System Operators (LDSOs) would be the main beneficiaries for the implementation of MHHS.

Elexon highlighted that levying MHHS Implementation Management services costs solely on Suppliers/LDSOs would require changes to its FSS. It also highlighted that it was unlikely that system changes could be implemented prior to the Ofgem expected Spring 2021 start date for the MHHS project. If a system-change solution was progressed Elexon suggested that a reconciliation would be required to correctly allocate BSC Costs.

Possible Solutions Impact Comparisons

Elexon took an action from the 1st Workgroup Meeting to explore the impacts of three different funding approaches. These were:

- Use the existing Main Funding Share;
- Introduce a new Funding Share / charge, levied on Suppliers; and
- Introduce a new type of Funding Share / charge, levied on Suppliers and LDSOs.

A summary of the high level impacts of each of the solutions is presented in the table below:

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Option	Requires changes to BSC Section D?	Requires system changes?	Requires extra input data?	Complexity of system changes	Compatible with Spring 2021 implementation?
Main Funding Share	✕	✕	✕	**N/A**	✓
Suppliers only	✓	✓	**Maybe**	**Medium-High**	**Unlikely**
Suppliers & LDSOs	✓	✓	✓	**High**	**Unlikely**

Impact comparison of different funding approaches

Workgroup Members discussed the impacts above and decided not to explore an option that recovered costs from LDSOs due to the likely extra complexity of system changes and the higher expected costs of implementing the change. These members noted that, with the exception of the Base Monthly Charge, LDSOs do not currently contribute to Elexon's operating costs since they do not have energy volumes. There was also less strength of feeling among Workgroup Members in principle that LDSOs should contribute to these costs, noting that LDSOs were likely to recover them from Suppliers anyway through distribution charges.

Some Workgroup Members continued to believe that the costs of MHHS Implementation Management services should be recovered solely from Suppliers, and that it would be inappropriate to recover MHHS Implementation Management services costs using the Main Funding Share since this is also paid by non-Supplier Trading Parties including generators.

Other Workgroup Members expressed counter-arguments to this view. These arguments included that the additional complexity and costs of implementing and operating the potential Alternative Modification might outweigh the benefits of more having targeted charging versus a socialised cost, that generators will simply pass any costs through to Suppliers anyway, and/or that all costs are ultimately borne by consumers. Some members considered that the Proposed Modification's use of the Main Funding Share is closest to Ofgem's proposal to recover the costs of MHHS Implementation Management services using existing BSC funding structures. One member considered that Smart Export Guarantee / Feed-In Tariff export generators will benefit from MHHS.

The Workgroup agreed that if a new Supplier-only charge was introduced, it should be a new Specified BSC Charge, rather than as a new type of Funding Share. This was because this approach enables re-use of existing input data held in the FSS and therefore avoids higher system impacts and costs. The group agreed that the new charge would not be an SVA Cost, as it would not relate to the actual operation of the SVA arrangements.

Alternative Modification solution options

The Workgroup discussed two different options with respect to Supplier-only charging for MHHS Implementation Management services and sought the industry's views on these through its Assessment Procedure Consultation. The two options considered by the Workgroup were as follows:

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- **Option 1 (requirement 14a in the business requirements):** Under this option, Trading Parties' General Funding Shares (and therefore their Default Funding Shares, Default Share Amounts and Voting Shares) would change in line with any changes that the new Specified BSC Charge makes to their overall proportion of Elexon's total BSC Costs (subject to the existing cap on the number of Voting Shares that can be held by a Trading Party). This would happen naturally under the BSC charging mechanisms in the absence of any specific alternative provisions.
- **Option 2 (requirement 14b in the business requirements):** Under this option, Trading Parties' General Funding Shares (and therefore their Default Funding Shares, Default Share Amounts and Voting Shares) would not change as a result of the new Specified BSC Charge, even if the new charge results in Parties paying different overall proportions of Elexon's BSC Costs. This would require extra BSC provisions and system changes to prevent the normal effect on these shares.

Full business requirements for the Alternative Modification options are detailed in Attachment D.

The Workgroup developed the potential Alternative Modification requirements before Elexon drafted the Proposed Modification legal text. The requirements therefore use the original terminology from Ofgem's Draft Impact Assessment Consultation and not that subsequently agreed by the Workgroup for the legal text.

Following the Assessment Procedure Consultation, the Workgroup agreed to formally progress Option 2 as the P413 Alternative Modification.

Impact of possible solution options on Parties' BSCCo Charges

This section shows the impact of both potential Alternative Modification options originally considered by the Workgroup, alongside the Proposed Modification. For an explanation of how the BSC calculates General Funding Shares, Default Funding Shares, Annual Funding Shares, Voting Shares and Default Share amounts, see Section 3.

Effect of Proposed Modification

Under the Proposed Modification, Elexon's MHHS Implementation Management services costs will be recouped from all Trading Parties who pay the Main Funding Share, in proportion to their own % market share across all of those Trading Parties. This means that, while charges go up in absolute (£) terms for all Trading Parties who pay the Main Funding Share, no individual Trading Party (or type of Trading Party) will be paying proportionally more or less BSC Costs than before in % terms.[12] As a result, the Proposed Modification has no impact on any BSC Parties' % Main Funding Shares, General Funding Shares, Default Funding Shares, Annual Funding Shares, Voting Shares or Default Share Amounts.

If a Trading Party who pays the Main Funding Share defaults, its unpaid BSCCo Charges will be higher in absolute (£) terms and this increased 'bad debt' will be recovered from all Trading Parties according to their (unchanged) % Default Funding Shares. Trading Parties' overall proportions of BSC Costs and Default Costs will not change in % terms. There is

[12] Currently, around 250 Trading Parties pay the Main Funding Share., In aggregate, approximately 60% of the Net Main Costs recovered through that funding share are paid by Suppliers and 40% by generators.

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also no change to the absolute (£) amount of unpaid Trading Charges owed by a defaulting Trading Party, or to Trading Parties' % Default Share Amounts of that bad debt.

Effect of potential Alternative Modification options

Under both variants of the Alternative Modification, Elexon's MHHS Implementation Management services costs would be recouped solely from Suppliers in proportion to their market share across all Suppliers.[13] In the absence of any other factors affecting Parties' charges, Suppliers' BSCCo Charges would therefore increase – both in absolute (£) terms and as a proportion (%) of overall BSC Costs.

Option 1

Without any specific provisions to the contrary, this would increase Suppliers' % General Funding Shares, Default Funding Shares, Annual Funding Shares, Voting Shares (subject to the cap) and Default Share Amounts. Non-Supplier Trading Parties' proportion of overall BSC Costs would decrease, with a corresponding decrease in these % shares, even though their BSCCo Charges would not have changed in absolute (£) terms.

Because Suppliers would be paying higher BSCCo Charges in absolute terms, a defaulting Supplier's unpaid BSCCo Charges would be higher. The increase in Suppliers' proportion of Default Costs means that, if a Supplier defaulted, other Suppliers would be likely to pick up the majority of the absolute (£) increase in its unpaid BSCCo Charges. There would be no change to the absolute (£) amount of unpaid Trading Charges owed by a defaulting Supplier, but other Suppliers' % Default Share Amounts of that bad debt would increase.

Parties' % Main Funding Shares would be unaffected and remain unchanged, as these would continue to be based on their energy volumes.

Option 2

The Workgroup noted that Default Costs are uncapped. A majority of Workgroup Members believed that, if Suppliers were to pay all of Elexon's MHHS Implementation Management costs, it would be inappropriate for this to mean that they also have to pay a bigger share of default costs. Under Option 2, the BSC's calculation of the General Funding Share would be amended to hold it neutral to the new Supplier-only Specified BSC Charge. This would require extra BSC provisions and Elexon system changes.

All Trading Parties' General Funding Shares would be adjusted as if the new charge did not exist, despite their changed proportions of total (pre-adjusted) BSC Costs. As a result, there would be no change to any BSC Parties' Default % Funding Shares, Annual Funding Shares, Voting Shares or Default Share Amounts. Non-Supplier Trading Parties' % proportion of (pre-adjusted) BSC Costs would decrease. However, their BSCCo Charges in absolute (£) terms, excluding Default Costs, would be unchanged from both the current baseline and Proposed Modification. All Parties' % Main Funding Shares would also remain unchanged.

If a Supplier defaults, the absolute (£) increase in their unpaid BSCCo Charges would be recovered from all Trading Parties, including non-Supplier Trading Parties, according to their (unchanged) % Default Funding Shares. There would be no change to the absolute

[13] Currently, around 150 Suppliers have registered SVA Metering Systems and would therefore incur the new charge.

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(£) amount of unpaid Trading Charges owed by a defaulting Supplier, or to Trading Parties' % Default Share Amounts of that bad debt.

Summary of impacts by Party type

The following table shows the proportionate impact of the different P413 solution options on BSCCo Charges by Party type. These are considered in isolation of any other factors that could affect Parties' BSCCo Charges in a given year.

Impact on:	Proposed Modification (Main Funding Share)	Potential Alternative Modification (New Supplier-only charge)	
		Option 1 (req. 14a) -without General Funding Share adjustment	Option 2 (req. 14b) - with General Funding Share adjustment
A Supplier	No change in % of total BSC Costs Increase in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount	Increase in % of total BSC Costs Increase in £ BSCCo Charges* Increase in % of Default Costs Increase in % of Voting Shares *(where remain below 6% cap)* Increase in % Default Share Amount	Increase in % of total BSC Costs** Increase in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount
A non-Supplier Trading Party	No change in % of total BSC Costs Increase in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount	Decrease in % of total BSC Costs No change in £ BSCCo Charges* Decrease in % of Default Costs Decrease in % of Voting Shares *(where remain below 6% cap)* Decrease in % Default Share Amount	Decrease in % of total BSC Costs** No change in £ BSCCo Charges* No change in % of Default Costs No change in % of Voting Shares No change in % Default Share Amount
An LDSO	No change in BSCCo Charges Do not pay Funding Shares Do not have Voting Shares Do not have Trading Charges	No change in BSCCo Charges Do not pay Funding Shares Do not have Voting Shares Do not have Trading Charges	No change in BSCCo Charges Do not pay Funding Shares Do not have Voting Shares Do not have Trading Charges

Impacts of different P413 solution options on BSC Parties

*Excluding Default Costs ** Before being cancelled out through the General Funding Share adjustment.

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Assessment Procedure Consultation Responses

Do you believe the potential Alternative Modification better facilitates the Applicable BSC Objectives than the Proposed Modification: a) Without adjustment to the General Funding Shares (requirement 14a)) b) With adjustment to General Funding Shares (requirement 14b)) If yes to both, please state which of a) and b) you believe is best and why.			
Yes	**No**	**Neutral/No Comment**	**Other**
1	3	1	0

One respondent believed that potential Alternative Modification Option 2 better facilitated the Applicable BSC Objectives than the Proposed Modification, three did not express support for either Alternative option and one (a Party Agent) was neutral.

Arguments given by respondents who did not support the Alternative options were that the accrued benefits of MHHS are shared by all market participants and so it is appropriate that the burden of cost is more equitably shared. This contrasts with the view of the respondent who supported potential Alternative Option 2, who stated that this option would ensure a fairer allocation of the costs because Suppliers benefit most directly from MHHS Implementation Management services. This respondent supported Option 2, as they believed it would not be fair if Suppliers became liable for an increased proportion of Default Costs as a result of bearing costs that are limited and specific to the MHHS programme.

Final Workgroup View

The Workgroup considered the Assessment Procedure Consultation responses at its final meeting on 25 January 2021. No members expressed support for Alternative Option 1, with a majority supporting and agreeing to progress Option 2. You can find the group's final views in Section 7.

Requiring or Enabling Modification

Initially the P413 Modification Proposal was drafted by the Proposer to 'require' Elexon to carry out MHHS Implementation Management services. This was intended to give Ofgem the option to make Elexon responsible for providing MHHS Implementation Management services by approving the Modification (i.e. as a result of an industry-led process) rather than by necessarily requiring a separate process.

The Workgroup discussed whether specifying that the Modification requiring Elexon to perform MHHS Implementation Management services was materially different to a Modification enabling Elexon to perform MHHS Implementation Management services. Members suggested a preference for the Modification to 'enable' rather than 'require' Elexon to perform these services. This was on the basis that it was not clear what process Ofgem intends to use to determine the provider(s) of the services. If Ofgem was minded to conduct a competitive tender process, the Modification would need to specify within the BSC that it was within Elexon's remit to participate in the process. Elexon confirmed that, from a procurement law perspective, there was little difference between the two approaches insofar as the legal text was concerned.

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Workgroup Members agreed that P413 should 'enable' Elexon to provide MHHS Implementation Management services, in the sense that the BSC will only 'require' it to do so if Ofgem determines that Elexon should provide some or all of these services. The Workgroup also agreed that P413 should be an enabling Modification in that it should contain provisions to enable Elexon to participate in any formal tender process. This has the benefit of leaving the flexibility open for Ofgem on different possible decision processes.

The Workgroup asked Elexon whether it considers that the provision of MHHS Implementation Management services is sufficiently close to Elexon's existing core BSC activities that it could submit a bid into a procurement process without needing a Modification Proposal to enable this.

Elexon's view was that the MHHS Implementation Management services are an extension of the existing BSC arrangements and Elexon's role under those arrangements. However, as with any Modifications that involve changes to Elexon's role, P413 is needed to articulate those changes. In this case, the question relates specifically to whether Elexon has the vires to bid for the services should Ofgem decide to run a procurement process. There is now a well-established history of Elexon needing explicit approval in the BSC to submit tenders. The rationale underpinning this is that the Code does not explicitly provide a generic authority for Elexon to submit a tender and that tendering is an activity that is likely to involve a level of resource and cost that is not insubstantial.

In the event that Ofgem decides to run an appointment process that is not a full-scale procurement, the question arises as to whether Elexon could participate in this process noting that this would most likely take place prior to a decision on P413. Elexon's constitutional documents (specifically its Memorandum of Association) do allow Elexon to employ the funds of the company in the development and expansion of the business (for activities that would further Elexon's delivery of the BSC). The Memorandum therefore does allow Elexon to prepare for changes in the law and market structure that will impact the BSC. In Elexon's view, this would enable Elexon to participate in a lighter touch appointment process for services which, as noted above, closely relate to Elexon's core BSC role.

MHHS Implementation Assurance Provider

Workgroup Members discussed the business requirements for the establishment of the independent assurance provider. The group noted the uncertainty over whether or not Ofgem might wish Elexon to procure the Assurance provider or run the procurement itself. The business requirements were amended to reflect an obligation on Elexon to procure the MHHS Implementation Assurance Provider function if required to do so by Ofgem (in which event Ofgem should approve the appointment process and decision). When drafting the legal text, additional flexibility was incorporated to cater for different possible Ofgem preferences.

Elexon asked whether the requirements should incorporate any additional monitoring, escalation or enforcement provisions that utilise existing BSC governance structures such as the Performance Assurance Board (PAB). A Workgroup Member expressed the view that there could be a benefit of appointing Elexon to provide MHHS Implementation Management services if it meant these could be used. Other members were concerned about the potential impact on the PAB's workload and whether this should therefore be undertaken by a separate committee or sub-committee.

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Some questioned whether this was already the role of the PPC and PMO as set out in Ofgem's consultation, and/or fell under wider programme governance outside of the BSC. The group noted that the PAB could only monitor/take action on BSC Parties' (Suppliers') implementation activities, with other key players like the Data and Communications Company (DCC) not being BSC Parties. Licence changes would therefore still be needed to ensure all relevant participants are required to implement MHHS and co-operate with the provider(s) of MHHS Implementation Management services. On balance, the Workgroup agreed that no provisions in this area needed to be incorporated into P413. However, it noted that this did not prevent Ofgem from directing extra BSC changes in this area using its SCR or Smart Meters Act powers.

Bid cost cap

Workgroup Members discussed whether Elexon costs for any bid for the MHHS Implementation Management services should be capped. The original business requirements agreed by the Workgroup included a bid cap of £100k to mirror the drafting for P390: 'Allowing extensions to Elexon's business and activities, subject to additional conditions' and other earlier BSC vires Modifications.

When discussing the legal text, Elexon highlighted that there was a potential difference between P413 and P390, which is that Elexon would be bidding as the BSCCo for a role that would become a BSC activity (whereas the other Modifications concern bids by Elexon affiliates for non-BSC work). Elexon asked whether the legal text should include a process for the BSC Panel to approve a higher bid spend. Workgroup Members did not identify any reason why a higher bid cost would be necessary for this specific role and believed an ability for the Panel to approve a higher amount would undermine the purpose of the cap. They also did not believe that it would be appropriate/efficient for Elexon to spend more than this amount on a bid, given that it would be funded by BSC Parties and could be unsuccessful. Workgroup Members therefore agreed to leave the £100k bid costs unchanged within the drafting.

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7 Workgroup's Conclusions

Proposer's view of overall benefits of P413

The Proposer believes that Elexon is best placed to deliver MHHS Implementation Management services. By enabling Elexon to provide some or all of these services if Ofgem so determines, the Proposer believes that P413 will allow:

- The entity with the greatest subject-matter expertise to provide MHHS Implementation Management services, such that MHHS implementation activities are not relying on an entity who is trying to understand the in-depth electricity Settlement process and drivers;
- MHHS Implementation Management services to be delivered on a not-for-profit basis;
- MHHS Implementation Management services to be provided by an entity whose sole purpose is to provide services for the benefit of BSC Parties and the energy market; and
- Industry delivery costs and timescales to be minimised.

The Proposer believes that Elexon also has a natural incentive to ensure that MHHS is implemented efficiently and effectively because it will be responsible for operating the enduring MHHS arrangements.

As the primary impacts of the MHHS implementation are on the BSC, the Proposer believes that P413 will therefore better facilitate the achievement of Applicable BSC Objective (d) 'Promoting efficiency in the implementation of the balancing and settlement arrangements'.

The Proposer has identified that P413 could result in three outcomes:

1) Elexon could be appointed to provide MHHS Implementation Management services without a competitive tender exercise;
2) Elexon could be the successful bidder in a competitive tender exercise; or
3) Elexon could be an unsuccessful bidder in a competitive tender exercise, resulting in sunk costs for BSC Parties.

The Proposer believes that the Proposed Modification will better facilitate Applicable BSC Objective (d) in all three scenarios. They believe that, even if Elexon's bid is ultimately unsuccessful under scenario 3, the Proposed Modification will still better facilitate this objective by improving the overall quality of all bids.

Workgroup's views on Proposed Modification

Workgroup Members discussed Applicable BSC Objective (d) 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements'. The Workgroup agreed on the need to be clear that the benefits of P413 relate to Elexon being able to be considered/approved by Ofgem to carry out MHHS Implementation Management services, and not the benefits of these services in themselves or of the wider MHHS implementation.

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The Workgroup considered the three different scenarios set out by the Proposer above. All Workgroup Members concluded that scenarios 1 and 2 would better facilitate Applicable BSC Objective (d) for the reasons detailed by the Proposer.

The majority of Workgroup Members also agreed with the Proposer's reasoning that the Proposed Modification would still better facilitate Applicable BSC Objective (d) under scenario 3. However, a minority of Workgroup Members expressed the view that, whilst they were comfortable with Elexon participating in any appointment process, these positive impacts could be balanced out by the negative impact if Elexon's bid was unsuccessful (as this would result in sunk costs for BSC Parties).

Workgroup Members also discussed whether P413 would better facilitate Applicable BSC Objective (c) 'Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'. Workgroup Members agreed that whilst the Modification could promote effective competition in a bid exercise, this did not relate to competition in the generation and supply of electricity so this BSC Objective was not relevant. The Workgroup agreed that the Proposed Modification would have a neutral effect on all other BSC Objectives.

Overall, a majority (6 out of 7) of voting Workgroup Members present at the meeting, including the Proposer, believed that the Proposed Modification would better facilitate the Applicable BSC Objectives compared with the current baseline. A minority of voting Workgroup Members (1 out of 7) believed that the Proposed Modification would have a neutral impact on the Applicable BSC Objectives overall.

Does P413 Proposed Modification better facilitate the Applicable BSC Objectives?		
Obj.	Proposer's views	Other Workgroup Members' views
(a)	• Neutral	• Neutral
(b)	• Neutral	• Neutral
(c)	• Neutral	• Neutral
(d)	• Positive	• Majority positive against baseline (5 for, 1 neutral)
(e)	• Neutral	• Neutral
(f)	• Neutral	• Neutral
(g)	• Neutral	• Neutral

The Proposer and other Workgroup Members confirmed that their views on the Proposed Modification had not changed as a result of the Assessment Procedure Consultation (see below). The neutral member confirmed that, while Ofgem's latest consultation on Programme Implementation Principles has lessened the uncertainty over Ofgem's intention, it has not entirely ruled out the possibility of an unsuccessful Elexon bid.

The Proposer has added some additional views in favour of the Proposed Modification's cost-recovery mechanism following Ofgem's latest consultation. These are captured in the discussion of the Alternative Modification below.

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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Assessment Procedure Consultation Responses

Do you agree with the Workgroup's initial view that P413 [Proposed Modification] does better facilitate the Applicable BSC Objectives than the current baseline?			
Yes	**No**	**Neutral/No Comment**	**Other**
4	1	0	0

All but one respondent agreed that the Proposed Modification better facilitates the achievement of Applicable BSC Objective (d) for the reasons given by the Workgroup.

One respondent believed that the Proposed Modification would not better facilitate any of the Applicable BSC Objectives. This respondent believed that Elexon should not be appointed to any of the MHHS programme management roles due to its key delivery role in the project. They also believed that BSC Parties should not have to cover Elexon's costs in tendering as there is no guarantee of success.

Proposer's views on Alternative Modification

The Proposer believes that using the BSC's existing Main Funding Share mechanism to socialise MHHS Implementation Management services costs across BSC Trading Parties by market share (including non-Supplier Trading Parties) is the most appropriate way to recover these costs under the BSC. They therefore believe that the Proposed Modification better facilitates the achievement of Applicable BSC Objective (d) than the Alternative Modification.

The Proposer believes that providing MHHS Implementation Management services can be considered to be a natural extension of Elexon's responsibilities as the BSCCo. The Proposer notes the following statement in Ofgem's consultation on Programme Implementation Principles:

> *'We plan to develop Elexon's existing role as the Balancing and Settlement Code (BSC) code manager with respect to the programme management and operation of governance. They have considerable experience of delivering broadly similar programmes with many or most of the same participants, but we are continuing to look at ways or areas in which they can develop or obtain/procure the capability and capacity to perform all the required roles well.'*

The Proposer argues that, under P413 (and Ofgem's planned programme governance), MHHS Implementation Management services will become just another part of Elexon's BSC Code Manager role. They also note Ofgem's proposal in its earlier Draft Impact Assessment Consultation that 'costs would be met by BSC parties under the current funding structure'. The Proposer notes that the majority of Elexon's operational costs are recovered through the Main Funding Share under a socialised cost model, rather than being based on a 'user pays' principle – including the costs of managing the progression and implementation of BSC changes. They therefore consider that there is no reason in principle why this model is inappropriate for recovering Elexon's costs in providing MHHS Implementation Management services.

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The Proposer also considers that Suppliers are not the only beneficiaries from the implementation of MHHS and/or the existence of MHHS Implementation Management services. The Proposer considers that all BSC Parties benefit from an efficient and accurate Settlement process, as well as from any wider cashflow or system benefits that this facilitates. The Proposer notes that it is not possible for any BSC cost-recovery mechanism for MHHS Implementation Management services to fully deliver a 'user pays' principle, since some programme parties and beneficiaries are not BSC signatories. The Proposer believes that all costs will ultimately be passed to consumers. As such, they believe that consumers can be considered the ultimate beneficiaries of MHHS Implementation Management services, which exist to minimise implementation costs and timescales, and achieve earlier realisation of MHHS benefits including wider societal ones.

Workgroup's views on Alternative Modification

A majority of the other voting Workgroup Members (5 of 6) believed that the P413 Alternative Modification better facilitates the achievement of the Applicable BSC Objectives when compared with the existing BSC baseline. A minority of these other members (1 of 6) were neutral. Members' reasons for their views were identical to those for the Proposed Modification, with all members believing Applicable BSC Objective (d) to be the only relevant Objective.

A majority of the other voting Workgroup Members (4 of 6) believed that the Alternative Modification better facilitates the achievement of the Applicable BSC Objectives when compared with the Proposed Modification. These members believed that the costs of MHHS Implementation Management services should be recovered from Suppliers as the primary beneficiaries of these services and/or MHHS. They believed it would be inappropriate in principle for non-Supplier Trading Parties (and specifically large transmission-connected generators) to have to contribute to these costs. They also argued that the provision of MHHS Implementation Management services by Elexon under the BSC can be considered to be different to its other BSCCo functions and that arguments in favour of using the BSC's normal socialised cost model therefore do not apply.

A minority of the other voting Workgroup Members (2 of 6) believed that the Proposed Modification better facilitates the achievement of Applicable BSC Objective (d) compared with the Alternative Modification. These members expressed the view that recovery through the Main Funding Share is more appropriate and/or in keeping with Ofgem's intention to use existing BSC funding structures.

Overall, by majority, the P413 Workgroup's recommendation to the Panel was that the Alternative Modification should be approved.

Does P413 Alternative Modification better facilitate the Applicable BSC Objectives?		
Obj.	Proposer's views	Other Workgroup Members' views
(a)	• Neutral	• Neutral
(b)	• Neutral	• Neutral
(c)	• Neutral	• Neutral

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Does P413 Alternative Modification better facilitate the Applicable BSC Objectives?		
Obj.	Proposer's views	Other Workgroup Members' views
(d)	• Positive against baseline, negative against Proposed Modification	• Majority positive against baseline (5 for, 1 neutral) • Majority positive against Proposed Modification (4 for, 2 against)
(e)	• Neutral	• Neutral
(f)	• Neutral	• Neutral
(g)	• Neutral	• Neutral

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8 Panel's Initial Discussions

The P413 Assessment Report was presented to the Panel at its meeting on 11 February 2021 (Panel 311/05).

Consideration of the Proposed Modification and the Alternative Modification

The Panel unanimously agreed that both the P413 Proposed Modification and Alternative Modification better facilitate Applicable BSC Objective (d) than the current BSC baseline.

The Panel considered the views of the Proposer, Workgroup Members and Assessment Procedure Consultation respondents for and against the different cost-recovery mechanisms that would be introduced by the Proposed Modification and the Alternative Modification. After consideration of the different positions, the Panel agreed by majority that the P413 Proposed Modification should be **approved** and the P413 Alternative Modification should be **rejected**. The Panel noted that this was the opposite recommendation to that of the Workgroup.

One Panel Member, who is also the Proposer of P413, gave an additional view in favour of the Proposed Modification. This is that the risks of a poorly-managed implementation affect all BSC Parties. Another Panel Member expressed support for the Proposed Modification and disagreed with the argument that generators will not benefit from MHHS. This Panel Member believed that MHHS has wider benefits to all Parties and consumers through facilitating a more cost-effective and low-carbon electricity system. Another Panel Member, who was in favour of the Alternative Modification, considered that all MHHS Implementation Management costs will ultimately be passed to consumers but that it is easier for Suppliers to pass on those costs. The other Panel Members confirmed that they were relying on the arguments already expressed within the Assessment Report by the Workgroup.

Self-Governance

The Panel agreed with the Workgroup that the P413 Proposed and Alternative Modifications should not be treated as Self Governance, since the changes introduced by P413 would constitute material impacts on the Code's governance procedures.

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9 Report Phase Consultation Responses

This section summarises the responses to the Panel's Report Phase Consultation on its initial recommendations. You can find the full responses in Attachment G.

Summary of P413 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial majority recommendation that the P413 Proposed Modification should be approved?	1	3	0	0
Do you agree with the Panel's initial recommendation that the P413 Proposed Modification is better than the P413 Alternative Modification?	2	2	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intention of the P413 Proposed Modification?	4	0	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intention of the P413 Alternative Modification?	3	0	1	0
Do you agree with the Panel's recommended Implementation Date for the Proposed Modification?	3	1	0	0
Do you agree with the Panel's recommended Implementation Date for the Alternative Modification?	2	2	0	0
Do you agree with the Panel's initial view that P413 does not impact the EBGL Article 18 terms and conditions held within the BSC?	4	0	0	0
Do you agree with the Panel's initial view that P413 should not be treated as a Self-Governance Modification?	4	0	0	0

Summary of Responses

Two of the four respondents to the Report Phase Consultation had not responded to the Workgroup's earlier Assessment Procedure Consultation, while three respondents to the Assessment Procedure Consultation did not respond in the Report Phase.

Overall, one of four respondents agreed with the Panel's initial recommendation that the Proposed Modification should be approved. When it came to expressing a preference between the Proposed and Alternative Modifications, two respondents preferred the Proposed and two preferred the Alternative.

Of the two respondents who responded to both the Assessment Procedure and Report Phase consultations, neither changed their view on the overall merits of P413. One of these two respondents, who did not support P413 over the current baseline in either consultation, did not give a preference between the Proposed and Alternative Modifications

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in the Assessment Procedure Consultation. In their Report Phase response, this respondent gave a preference for the Alternative over the Proposed but did not state a reason. The other respondent continued to support the Proposed Modification compared with both the baseline and Alternative Modification.

Of the two respondents that had not responded previously, neither supported P413 over the current baseline. One expressed a preference for the Proposed Modification over the Alternative, and the other for the Alternative Modification over the Proposed. The respondent preferring the Alternative stated that this was because the Proposed Modification would increase Default Costs to Suppliers. Elexon has clarified that neither the Proposed nor Alternative Modifications will change any Party's proportion of Default Costs, for the reasons explained in Section 3 of this report.

Otherwise, there were no new arguments within the scope of P413 that had not been expressed during the previous Workgroup or Panel discussions. Some respondents provided views on aspects of Ofgem's plans for Elexon providing MHHS Implementation Management services, which are currently the subject of Ofgem's separate consultation. Elexon will pass these comments to Ofgem for consideration. As an enabling Modification Proposal, P413 leaves it to Ofgem to determine whether Elexon should provide any MHHS Implementation Management services and the nature of any appointment process. It also leaves it to Ofgem to decide what level of programme oversight, leadership and decision-making powers Ofgem wishes to retain.

All respondents agreed that the Proposed Modification legal text delivered the Workgroup's intended solution. On the Alternative Modification legal text, all but one respondent agreed that it delivered the Workgroup's intention and the other (who did not support the Alternative) gave no comment. No respondents suggested any changes to the legal drafting.

Three of the four respondents supported the Proposed Modification Implementation Date and two respondents supported the Alternative Modification Implementation Date. Two respondents disagreed in principle that the Alternative Modification should be implemented, with one of these respondents also disagreeing that the Proposed Modification should be implemented. No respondents suggested any different Implementation Date or approach.

All respondents agreed with the Panel's initial recommendations that P413 does not impact the EBGL Article 18 T&Cs and that P413 should not be a Self-Governance Modification.

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10 Recommendations

We invite the Panel to:

- **AGREE** that the P413 Proposed Modification
    - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that the P413 Alternative Modification
    - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that the P413 Proposed Modification should be **approved** and that the P413 Alternative Modification should be **rejected**;
- **AGREE** that the P413 Proposed and Alternative Modifications should not be treated as a Self-Governance Modification;
- **APPROVE** an Implementation Date for the P413 Proposed Modification of:
    - **5 WDs** after Ofgem Approval;
- **APPROVE** an Implementation Date for the P413 Alternative Modification of:
    - **5 WDs** after Ofgem Approval;
- **APPROVE** the draft legal text for the P413 Proposed Modification;
- **APPROVE** the draft legal text for the P413 Alternative Modification;
- **APPROVE** the P413 Modification Report.

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Appendix 1: Workgroup Details

Workgroup's Terms of Reference

Specific areas set by the BSC Panel in the P413 Terms of Reference	Conclusion
a) The exact BSC cost-recovery mechanism (e.g. whether this is through the BSC's Main Funding Share and whether these costs are funded by BSC Trading Parties only)	The Workgroup recommends the progression of the following Alternative Modification: • A new Supplier-only charge with adjustment to the calculation of General/Annual/Default/Voting shares, to hold these shares neutral to the new charge. Elexon system changes are required to implement this Alternative Modification.
b) Does the scope of the Modification Proposal allow the P413 cost-recovery mechanism to apply to any PM provider or only if Elexon provides the function?	Workgroup Members have agreed that it is outside the scope of P413 to introduce a BSC cost-recovery mechanism for any non-Elexon provider of MHHS Implementation Management services, noting that Ofgem could direct the necessary BSC changes in this scenario using its SCR/Smart Meters Act powers.
c) How the BSC provisions will ensure that Elexon is accountable to Ofgem for delivery of the PM function, including whether the BSC should give Ofgem the right to remove some or all of the function from Elexon in the event of poor performance	The Workgroup agreed that Ofgem can terminate Elexon's provision of MHHS Implementation Management services outside of the BSC and that the P413 provisions only apply for the duration of the period approved by Ofgem. It therefore agreed that no de-appointment process needed to be included in P413's enabling changes to the BSC.
d) Whether the solution should include provisions for the appointment and governance of the Assurance provider	The Workgroup noted uncertainty over whether Ofgem might want to appoint this provider itself. It therefore agreed to include provisions in P413 to cater for different possible Ofgem preferences.
e) Should P413 require, or enable, Elexon to be the MHHS PM?	The Workgroup agreed that P413 will 'enable' Elexon to provide MHHS Implementation Management services, in the sense that the BSC will only 'require' it to do so if Ofgem determines that Elexon should provide some or all of these services. P413 is also an enabling Modification in that it contains provisions that seek to enable Elexon's participation in any formal tender process.
f) How will P413 impact the BSC Settlement Risks?	Workgroup Members do not expect there to be any impact to BSC Settlement Risks due to the nature of the Modification.

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Specific areas set by the BSC Panel in the P413 Terms of Reference	Conclusion
g) What changes are needed to BSC documents, systems and processes to support P413 and what are the related costs and lead times?	The Proposed Modification requires changes to BSC Section C and Annex X-1, but no central system changes. The Alternative Modification requires additional changes to BSC Section D as well as changes to Elexon's Funding Share System and minor changes to Elexon processes.
h) Are there any Alternative Modifications?	Workgroup Members agreed to recommend the Alternative Modification.
i) Should P413 be progressed as a Self-Governance Modification?	Workgroup Members do not believe that this Modification meets the Self-Governance Criteria. This is due to the material impacts on the Code's Governance procedures.
j) Does P413 better facilitate the Applicable BSC Objectives than the current baseline?	The Workgroup's view is that the Proposed Modification and Alternative Modifications will further Applicable BSC Objective (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.
k) Does P413 impact the EBGL provisions held within the BSC	Workgroup Members agree that both the Proposed and Alternative Modifications do not impact the EBGL provisions.

Assessment Procedure timetable

P413 Assessment Timetable	
Event	Date
Panel submits P413 to Assessment Procedure	10 September 20
Workgroup Meeting 1	22 September 20
Workgroup Meeting 2	12 October 20
Ad-Hoc Workgroup Meeting to further develop potential Alternative Modification business requirements	3 November 20
Workgroup Meeting 3	20 November 20
Assessment Procedure Consultation	14 December 20 – 15 January 21
Workgroup Meeting 4	25 January 21
Panel considers Workgroup's Assessment Report	11 February 21

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Workgroup Membership and attendance

P413 Workgroup Attendance						
Name	Organisation	22 Sep 20	12 Oct 20	3 Nov 20 (Ad-Hoc)	20 Nov 20	25 Jan 21
Members						
Claire Kerr	Elexon *(Chair)*	✓	✓	✓	✓	✓
Chris Arnold	Elexon *(Lead Analyst)*	✓	✓	✓	✓	✓
Mark Bellman	Scottish Power *(Proposer)*	✓	×	✓	✓	✓
Paul Saker	EDF	✓	✓	✓	✓	✓
Terry Carr	EON	✓	✓	✓	✓	✓
Steve Bradford	Smartest Energy	✓	✓	×	✓	✓
Phil Russell	Independent Consultant	✓	✓	×	×	×
Andy Colley	SSE	✓	✓	×	✓	✓
Andrew Hancock	Square 1 Energy	✓	×	×	✓	✓
Claire Henderson	TMA Data Management Ltd.	✓	✓	✓	×	✓
Matt Howard	Siemens plc	✓	×	×	×	×
Dominic Bradbury	OVO Energy Ltd	✓	✓	✓	×	×
Fungai Madzivadondo	Energy Networks Association	✓	✓	✓	✓	✓
Chris Welby	Bristol Energy	✓	×	×	×	×
Chris Welby	Independent Consultant	×	×	×	✓	×
Attendees						
Steph Clements	Scottish Power *(Proposer Alternate)*	✓	✓	×	×	×
Kathryn Coffin	Elexon *(Design Authority)*	✓	✓	✓	✓	✓
Nicholas Brown	Elexon *(Lead Lawyer)*	✓	✓	×	✓	✓
Andrew Grace	Elexon *(Analyst)*	✓	×	×	×	×
Andrew Margan	Elexon (*Business Analyst*)	✓	✓	✓	✓	✓
Darren Draper	Elexon (*Finance Systems and Operations Manager*)	×	✓	✓	×	✓
Sinead Quinn	Ofgem	✓	✓	×	✓	✓
Saskia Barker	Ofgem	✓	×	×	×	×
Abid Sheikh	Ofgem	×	×	✓	×	✓
Anna Stacey	Ofgem	×	×	×	×	✓
Kristina Leary	SMS Energy Services	✓	×	✓	✓	×
Kundai Matiringe	BUUK Infrastructure	✓	×	×	✓	✓

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P413 Workgroup Attendance						
Name	Organisation	22 Sep 20	12 Oct 20	3 Nov 20 (Ad-Hoc)	20 Nov 20	25 Jan 21
Mark Jones	SSE	✓	✓	✓	✓	✓
Andy Knowles	Utilita	✗	✓	✗	✗	✓

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Appendix 2: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
AWG	Architecture Working Group
BSC	Balancing and Settlement Code
CCDG	Code Change and Development Group
CSD	Code Subsidiary Document
DCC	Data and Communications Company
DWG	Design Working Group
EBGL	Energy Balancing Guidelines
FSS	Funding Share System
LDSO	Licensed Distribution System Operator
LWI	Local Work Instruction
MHHS	Market-wide Half Hourly Settlement
NETSO	National Grid Transmission System Operator
NHH	Non Half Hourly
PAB	Performance Assurance Board
PC	Programme Co-ordinator
PM	Programme Manager/Management
PMO	Programme Management Office
PPC	Programme Party Co-ordinator
SCR	Significant Code Review
SI	System Integrator
SRO	Senior Responsible Owner
SVA	Supplier Volume Allocation
TOM	Target Operating Model

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

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External Links		
Page(s)	Description	URL
5, 10 & 41	Ofgem MHHS Programme Implementation Principles Consultation	https://www.ofgem.gov.uk/publications-and-updates/market-wide-half-hourly-settlement-mhhs-consultation-programme-implementation-principles
8 & 33	Modification P390 'Allowing extensions to Elexon's business and activities, subject to additional conditions'	https://www.elexon.co.uk/mod-proposal/p390/
8, 9 & 25	Ofgem Electricity Retail MHHS Draft Impact Assessment Consultation webpage	https://www.ofgem.gov.uk/publications-and-updates/electricity-retail-market-wide-half-hourly-settlement-draft-impact-assessment-consultation
8	Market-wide Half Hourly Settlement (MHHS) Working Groups	https://www.elexon.co.uk/committees-meetings/market-wide-half-hourly-settlement-mhhs-working-groups/
39	Panel Meeting 311	https://www.elexon.co.uk/meeting/bsc-panel-311/

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