

P413

Mod Title: Require Elexon to be the Programme Manager for the implementation of Market-wide Half Hourly Settlement


01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report


Purpose of Modification:



This Modification Proposal will require Elexon, as the BSC Company (BSCCo), to provide the Programme Manager function for the implementation of Ofgem’s Market-wide Half Hourly Settlement (MHHS) Significant Code Review (SCR), to include the roles of Programme Co-ordinator, System Integrator and Programme Party Co-ordinator. Elexon will be required by the BSC to deliver this function, but will be accountable to Ofgem (as the Senior Responsible Owner for the MHHS delivery programme) for its performance. Elexon's costs in performing this function will be BSC Costs and will be recouped from BSC Parties in proportion to their market share (since Ofgem proposes that this is the case whoever provides this function). As with all BSC Costs, Elexon will be required to report its Programme Manager activities and costs transparently through its Annual BSC Report, Business Strategy and Annual Budget.






Is this Modification likely to impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?

Yes No

	<p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> not be a Self-Governance Modification Proposal be assessed by a Workgroup and submitted into the Assessment Procedure <p>This Modification will be presented by the Proposer to the BSC Panel on 10 September 2020. The Panel will consider the Proposer’s recommendation and determine how best to progress the Modification.</p>
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	<p>High Impact: Elexon</p> <p>Elexon will be required by the BSC to perform the new function of MHHS Programme Manager.</p>
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	<p>Medium Impact: BSC Parties</p> <p>Parties will be required by the BSC to fund, in proportion to their market share, Elexon's costs in providing this function.</p>
	<p>Low Impact: None</p>

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Timetable		
The Proposer recommends the following timetable:		
Initial consideration by Workgroup	21 September 2020	
Assessment Procedure Consultation	14 December 2020 - 15 January 2021	
Workgroup Report presented to Panel	11 February 2021	
Report Phase Consultation	15 February 2021 - 01 March 2021	
Draft Modification Report presented to Panel	11 March 2021	
Final Modification Report submitted to Authority	15 March 2021	

1 Why Change?

What is the issue?

Ofgem's MHHS SCR process

In July 2017, Ofgem launched its 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 under the SCR. Ofgem, as the Senior Responsible Owner (SRO), remains the final decision-maker on whether to approve the workgroups' recommendations.

Ofgem will make the final decision on how and when to implement MHHS in its Full Business Case decision. Ofgem's latest indication is that this will be published in Spring 2021. Ofgem then intends to use its powers under the Smart Meters Act to make the necessary changes to licences and Industry Codes, which will therefore not follow the normal Code change processes (i.e. they will not be progressed through Modification Proposals or Change Proposals). There will need to be programme management for the implementation of these document changes, as well as for the:

- 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.

Ofgem's proposed MHHS delivery programme functions

On 17 June 2020, Ofgem published its [Draft Impact Assessment Consultation](#) for MHHS. In Section 9 of the consultation, Ofgem sets out its thinking on how best to manage the delivery programme for the implementation of MHHS.

Ofgem proposes that accountability for successful delivery of the programme objectives will remain with the Ofgem SRO, with Ofgem performing the role of Programme Sponsor. It identifies the need for a separate **Programme Management (PM)** function, which Ofgem expects to include 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 programme delivery 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.

Ofgem also proposes a separate **Assurance** function, responsible for assuring Ofgem that the PC/PMO, SI and PPC are able to achieve their delivery plans and that robust systems of accountability are in place to incentivise this.

Ofgem has 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's consultation proposes that the costs of all roles comprising the overall PM function will be met by BSC Parties using the current BSC funding structure under all three options, even if Elexon is not performing these roles. If this proposal is taken forward by Ofgem, this will require changes to the BSC in any event.

This Modification Proposal will require Elexon to provide the PM function, including the PC/PMO, SI and PPC roles, with an associated BSC cost-recovery mechanism. Although the Assurance function will need to be provided by a separate entity, the Proposer suggests that the scope of this Modification Proposal should also include a BSC cost-recovery mechanism for that function.

The Proposer expects that Ofgem will require the PM function to be in place no earlier than Spring 2021, when it publishes its Full Business Case decision. Ofgem also anticipates that the function will be required to run for at least four years, based on its proposed four-year MHHS implementation timeline in Section 6 of its consultation. Ofgem is still considering the impact of COVID-19 on this timeline.

Why should Elexon provide the MHHS PM function?

The primary impacts of MHHS are on the BSC. The 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 the PM function 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);
- Technical leadership to the AWG's development of the solution 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; and
- Proven track record in supporting Ofgem's MHHS SCR.

If the BSC is not amended to require Elexon to perform this function, there is a risk that this results in longer implementation timescales, higher costs for the industry and a longer period to see the benefits outlined in Ofgem's draft Impact Assessment consultation.¹

The Proposer also believes that the PM function should be embedded within the BSC governance regime, to allow recovery of costs through BSC funding mechanisms (as proposed by Ofgem's consultation) and to ensure transparency for BSC Parties.

Desired outcomes

This Modification Proposal will require Elexon to provide the PM function, with overall accountability to Ofgem for its performance. The costs incurred by Elexon in providing the PM function will be recovered from BSC Parties.

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

This Modification Proposal should also include a BSC cost-recovery mechanism, and potentially governance provisions, for the separate Assurance function.

2 Solution

Proposed Solution

This Modification Proposal will require Elexon, as the BSCCo, to provide the PM function for the implementation of Ofgem's MHHS SCR. This will include performing the roles of PC/PMO, SI and PPC.

Elexon will be required by the BSC to deliver the PM function, but will be accountable to Ofgem (as SRO) for its performance. The Proposer suggests that this Modification Proposal should incorporate the right for Ofgem to remove some or all of the function from Elexon in the event of poor performance, without requiring a further Modification Proposal. The Proposer also suggests that a workgroup considers what other associated governance needs to be included in the BSC, for example on the scope and responsibilities of the PM function.

The costs incurred by Elexon in performing the MHHS PM function will be BSC Costs. They will be recouped from BSC Parties in proportion to their market share (for example, they could be recovered from Trading Parties through the Main Funding Share). Elexon will be required to report its PM activities and costs transparently through its Annual BSC Report, Business Strategy and Annual Budget – as it does for all other BSC costs/activities. Elexon will also be required to provide all relevant information to the Assurance function provider.

The MHHS Assurance function will need to be provided by a separate entity to the PM function. However, this Modification Proposal should still include a BSC recovery mechanism for the costs associated with this function. It could also include provisions for the appointment and governance of the Assurance provider. One potential model could be for Elexon to procure and appoint the Assurance provider in a similar way to other Elexon/BSC audit processes. The Proposer suggests that a workgroup considers the appropriate governance.

Benefits

This Modification Proposal will ensure that:

- The entity with the greatest subject-matter expertise provides the PM function for Ofgem's MHHS delivery programme, and that the programme is not relying on an entity who is trying to understand the in-depth electricity Settlement process and drivers;
- The function is delivered on a not-for-profit basis;
- The function is 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 are therefore minimised.

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

3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(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	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	Positive
(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]	Neutral
(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	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

See identified benefits in Section 2 above.

4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
<input type="checkbox"/> Ancillary Services Document	<input type="checkbox"/> Connection and Use of System Code	<input type="checkbox"/> Data Transfer Services Agreement	<input type="checkbox"/> Use of Interconnector Agreement
<input type="checkbox"/> Master Registration Agreement	<input type="checkbox"/> Distribution Connection and Use of System Agreement	<input type="checkbox"/> System Operator Transmission Owner Code	<input type="checkbox"/> Supplemental Agreements
<input type="checkbox"/> Distribution Code	<input type="checkbox"/> Grid Code	<input type="checkbox"/> Transmission License	<input type="checkbox"/> Other (please specify)

No impact.

Impacts on BSC Systems

Impacted Systems				
<input type="checkbox"/> CRA	<input type="checkbox"/> CDCA	<input type="checkbox"/> PARMS	<input type="checkbox"/> SAA	<input type="checkbox"/> BMRS
<input type="checkbox"/> EAC/AA	<input type="checkbox"/> FAA	<input type="checkbox"/> TAAMT	<input type="checkbox"/> NHHDA	<input type="checkbox"/> SVAA
<input type="checkbox"/> ECVAA	<input type="checkbox"/> ECVAA Web Service	<input type="checkbox"/> Elexon Portal	<input type="checkbox"/> Other (Please specify)	

No impact.

Impacts on BSC Parties

Impacted Parties			
<input checked="" type="checkbox"/> Supplier	<input checked="" type="checkbox"/> Interconnector User	<input checked="" type="checkbox"/> Non Physical Trader	<input checked="" type="checkbox"/> Generator
<input checked="" type="checkbox"/> Licensed Distribution System Operator	<input checked="" type="checkbox"/> National Electricity Transmission System Operator	<input checked="" type="checkbox"/> Virtual Lead Party	<input type="checkbox"/> Other (Please specify)

The costs incurred by Elexon in providing the PM function will be recouped from BSC Parties proportionally according to their market share. Consideration will need to be given to whether these costs are funded by BSC Trading Parties only, as well as to the exact cost-recovery mechanism (e.g. whether this is through the BSC's Main Funding Share). Note that should someone other than Elexon provide the PM function, Ofgem's consultation is still proposing the BSC be changed (albeit not under this Modification Proposal) to recover the costs of that function from BSC Parties.

Legal Text Changes

Changes will be required to BSC Section C 'BSCCo and its Subsidiaries', which governs Elexon's required/permitted activities under the BSC. Any associated additions or changes to BSC Defined Terms will need to be included in BSC Annex X-1 'General Glossary'.

5 Governance

Self-Governance

<input checked="" type="checkbox"/> Not Self-Governance – A Modification that, if implemented materially impacts:	
<input checked="" type="checkbox"/> the Code's governance or modification procedures	<input type="checkbox"/> sustainable development, safety or security of supply, or management of market or network emergencies
<input type="checkbox"/> competition	<input type="checkbox"/> existing or future electricity consumers
<input type="checkbox"/> the operation of national electricity Transmission System	<input type="checkbox"/> likely to discriminate between different classes of Parties
<input type="checkbox"/> Self-Governance – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification Proposal should not be treated as Self-Governance. It has a material impact on Elexon's activities under the BSC and therefore on BSC governance. It requires an Ofgem decision, since the provider of the PM function will be accountable to Ofgem under its wider MHHS delivery programme.

Progression route

<input checked="" type="checkbox"/> Submit to assessment by a Workgroup – A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input type="checkbox"/> Direct to Report Phase – A Modification Proposal whose solution is typically:	
<input type="checkbox"/> of a minor or inconsequential nature	<input type="checkbox"/> deemed self-evident
<input type="checkbox"/> Fast Track Self-Governance – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
<input type="checkbox"/> updating names or addresses listed in the Code	<input type="checkbox"/> correcting minor typographical errors
<input type="checkbox"/> correcting formatting and consistency errors, such as paragraph numbering	<input type="checkbox"/> updating out of date references to other documents or paragraphs

Urgent – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:

a significant commercial impact on Parties, Consumers or stakeholder(s)

a Party to be in breach of any relevant legal requirements.

a significant impact on the safety and security of the electricity and/or gas systems

Workgroup assessment is needed to develop the detail of the solution, for example:

- The exact BSC cost-recovery mechanism;
- 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; and
- Whether the solution should include provisions for the appointment and governance of the Assurance provider.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification Proposal is linked to Ofgem's SCR on Electricity Settlement Reform. However, the Proposer believes that it should not be subsumed into the SCR itself but that it should be progressed as a normal Modification Proposal.

This is because BSC Parties will fund the costs of the PM function. 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 believes that progressing it separately has no adverse impact on the SCR.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

Pending discussion at the workgroup and a fully defined solution, we do not at this stage anticipate any impact of the Modification on the EBGL Article 18 Terms and Conditions held within the BSC.

Does this modification impact on end consumers or the environment?

MHHS will deliver system-wide net welfare benefits, including benefits to consumers and the environment. Ofgem's Draft Impact Assessment Consultation identifies total net benefits for consumers of £1.6bn to £4.6bn.

While this Modification Proposal has no direct impact in these areas, the Proposer believes that appointing Elexon to undertake the PM function will be the best chance of realising these consumer benefits as early as possible and through an efficient not-for-profit service.

Impact on the Environment

This Modification is neutral with the net zero target.

Implementation approach

The Proposer suggests that this Modification Proposal, as a Code-only change, should be implemented 5 Working Days after Ofgem approval.

This will ensure that there is no undue delay in establishing the PM function, and therefore to the implementation (and benefits) of MHHS.