

## P413 Digital Meeting Etiquette

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- Welcome to the P413 Workgroup meeting 1 – we'll start shortly
- No video please to conserve bandwidth
- Please stay on mute unless you need to talk – use IM if you can't break through
- Talk – pause – talk
- Lots of us are working remotely – be mindful of background noise and connection speeds

# ELEXON

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## **P413 Workgroup 1**

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

22 September 2020

# Meeting Agenda

- Consideration of P413 and the background;
- Consider the P413 Terms of Reference; and
- Agree initial solution and areas for further development at future meetings.

Agenda Item	Lead
1. Welcome and meeting objectives	Claire Kerr (Chair)
2. P413: Proposer’s solution & views	Mark Bellman (Proposer)
3. P413: Further MHHS/PM background	Kathryn Coffin (Design Authority)
4. Terms of reference and timetable	Chris Arnold (Lead Analyst)
5. Areas for consideration	Workgroup
6. Next steps	Chris Arnold
7. Meeting close	Claire Kerr



# P413: PROPOSER'S SOLUTION & VIEWS

# Benefits of P413

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- **Solution:**

- Require Elexon, as the BSC Company (BSCCo), to provide the Programme Management (PM) function for the implementation of MHHS
  - Elexon as PM, would remain accountable to Ofgem as the **Senior Responsible Owner** (SRO)
  - Ofgem's proposal is that BSC Parties should fund the costs of the PM function whoever provides it, and hence P413 proposes a BSC cost-recovery mechanism if Elexon is PM

- **Views Against Objectives:**

- 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'.





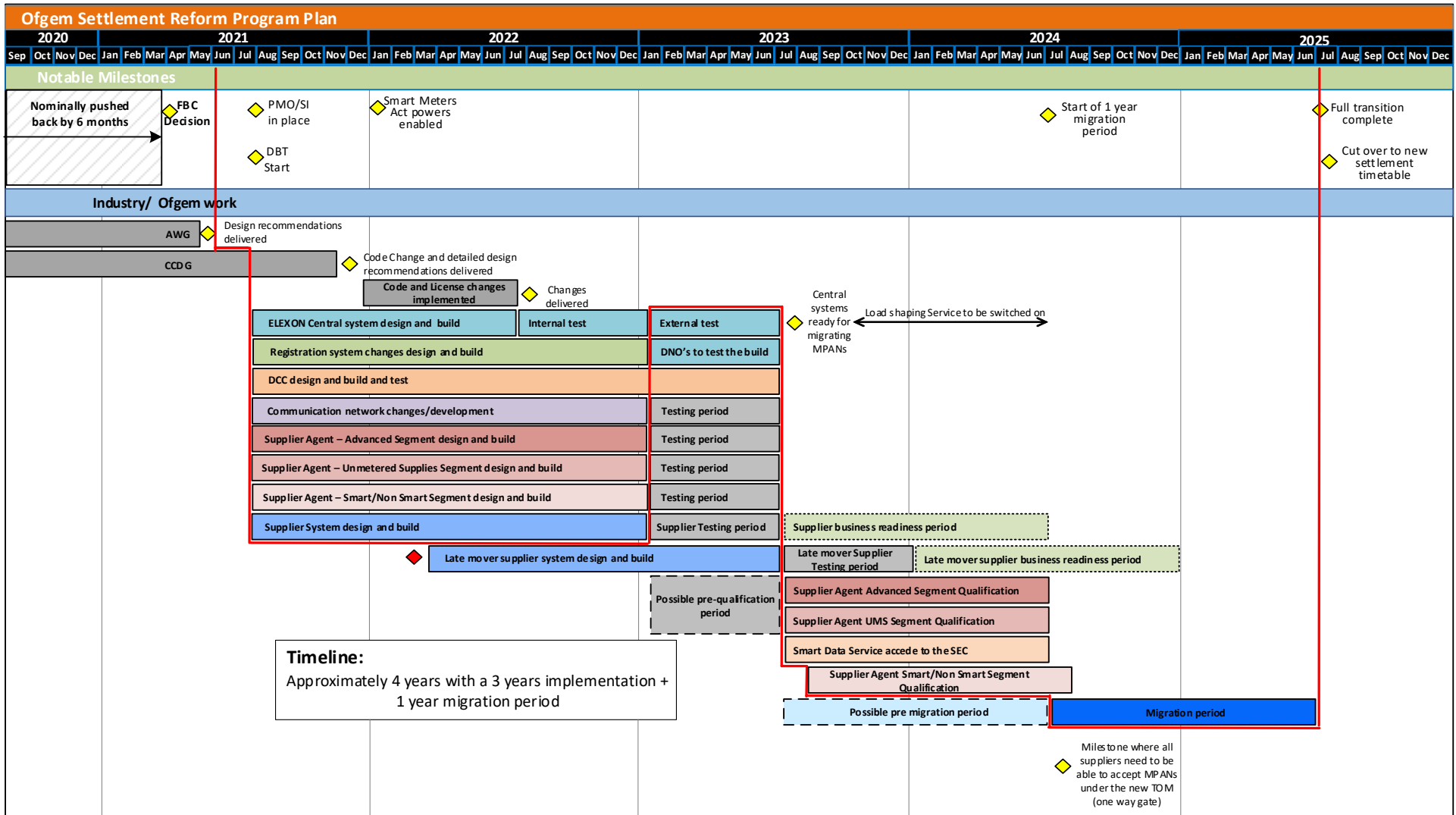
# P413: FURTHER MHHS/PM BACKGROUND

## MHHS implementation: scope and timescales

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- Ofgem's preferred option is to implement MHHS over a four-year period, starting from its Full Business Case decision in Spring 2021
  - This is the latest information presented to the BSC Panel in September
- Implementation of MHHS will involve:
  - A major overhaul of central and participant systems/processes
  - Changes to Licences and Industry Codes (BSC, MRA/REC, SEC, DCUSA, CUSC), to be made by Ofgem using its Smart Meters Act powers (not through the usual Mods Process)
  - Co-ordination of activities by Elexon, Suppliers, Supplier Agents (current and new), Distributors, DCC, other code bodies
- Primary impacts of MHHS implementation (and benefits of faster/more accurate Settlement) are on the BSC / BSC Parties

# Proposed Transition Timetable (indicative)





## Scope of PM function as proposed by Ofgem

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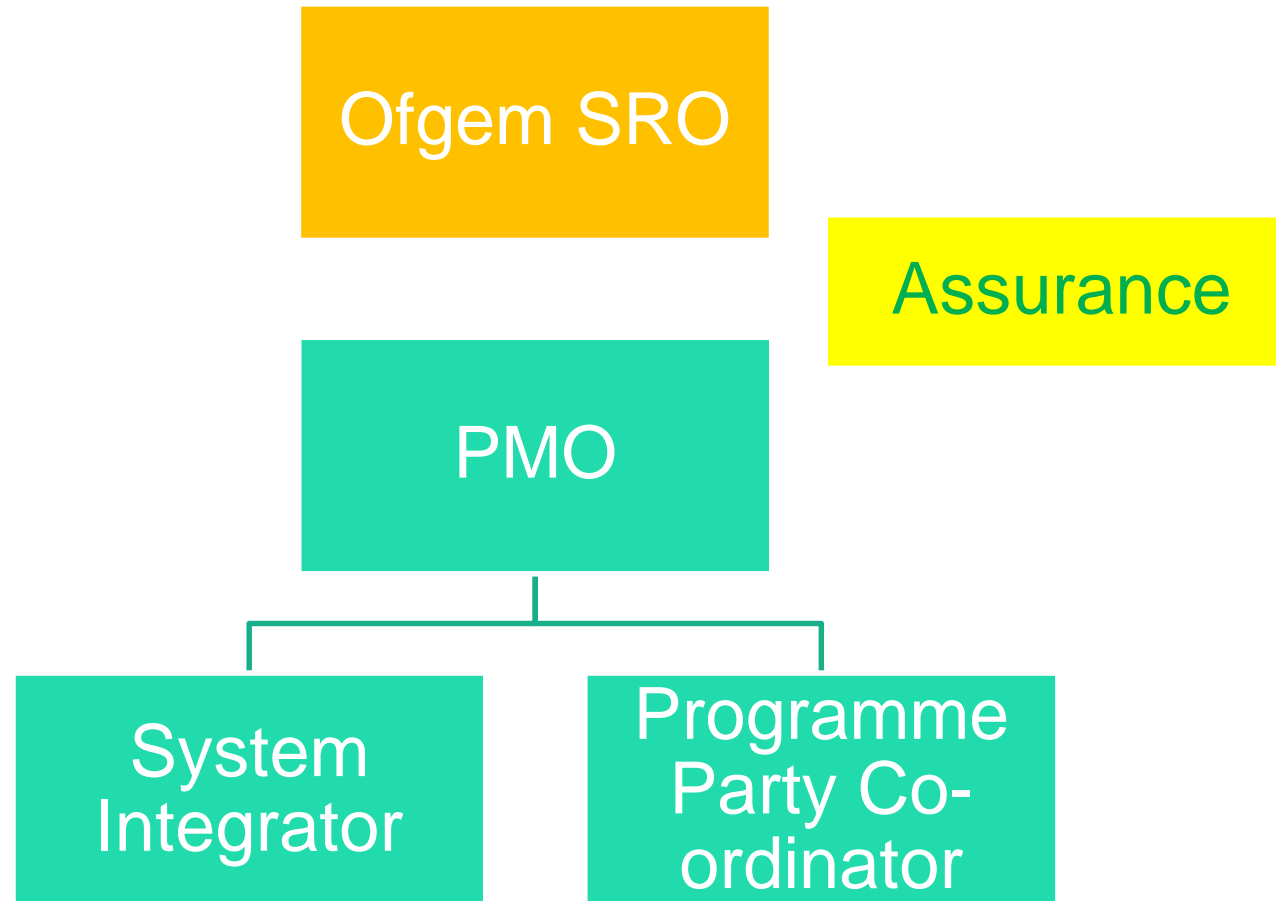
- Ofgem has identified the need for a MHHS **Programme Management** (PM) function comprising:
  - An overall **Programme Management Office (PMO)**, to create/manage the end-to-end delivery plan including stakeholder communications
  - A **System Integrator** (SI), to manage the integration, testing and transition to new systems and services, including integration testing
  - A **Programme Party Co-ordinator** (PPC), to monitor, scrutinise and report on participants' implementation progress
- P413 proposes a new BSC requirement on Elexon to perform all three of these PM roles as a BSC function
- Overall accountability for the PM's performance will remain with Ofgem as SRO
- *How will P413 ensure accountability to Ofgem? Should it give Ofgem the right to remove some or all of the function from Elexon in the event of poor performance?*
- *What are the minimum protections that P413 needs to include in the BSC for Ofgem, Elexon and BSC Parties?*

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## Scope of Assurance function as proposed by Ofgem

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- Ofgem also proposes a separate **Assurance** function:
  - To assure Ofgem that the PMO, SI & PPC are able to achieve delivery plans and that there are robust systems of accountability in place to incentivise this
- Assurance role will need to be provided by a separate entity to the PMO, SI & PPC
- P413 proposes to introduce a BSC cost-recovery mechanism for this Assurance role
- *Are there efficiencies in Elexon also procuring and/or appointing the Assurance provider under the BSC/P413, in a similar way to other Elexon/BSC audit processes?*



## BSC cost-recovery mechanism

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- Ofgem proposes that the costs of the PM roles are met by BSC Parties using the ‘current BSC funding structure’, regardless of who the provider is
- P413 proposes that Elexon’s PM costs are recovered from BSC Parties as BSC Costs
- It also proposes that the Assurance provider’s costs are recovered in the same way
- The usual BSC cost reporting / budget processes would apply, although a special budget timetable may be needed for the first year of activity
- The majority of BSC Costs (with the exception of certain specified/fixed charges) are recovered proportionally from BSC Parties through the BSC’s funding share mechanisms
- Costs of BSC change are recovered from BSC Trading Parties proportionally by market share using the Main Funding Share
- *Will PM costs be recovered using the Main Funding Share mechanism under P413?*

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## Require or enable Elexon to be the PM?

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- P413 proposes to require Elexon to perform the PM roles as a BSC function
- If it approves the Mod, Ofgem would thereby be approving Elexon as the provider
- There is currently no indication that Ofgem will run a formal tender process into which Elexon can submit a bid
- P413 is different to previous ‘vires’ Mods (e.g. P390) which were about funding initial bid costs, with ongoing costs covered contractually outside the BSC:
  - For the PM, all costs will be recovered through the BSC regardless of provider
- Ofgem’s aspiration is to have the PM in place before Spring 2021
  - It would be difficult for Elexon to mobilise without a funding structure in place
- Ofgem has other mechanisms to introduce a BSC funding mechanism if Elexon is not the PM provider (e.g. through its Smart Meters Act powers to amend the BSC)
- *Should P413 ‘require’ or ‘enable’ Elexon to be the PM?*





# TERMS OF REFERENCE & TIMETABLE

## Terms of reference

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- 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)
- 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?
- 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
- d) Whether the solution should include provisions for the appointment and governance of the Assurance provider
- e) Should P413 require, or enable, Elexon to be the MHHS PM?
- f) How will P413 impact the BSC Settlement Risks?

## Terms of reference

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- g) What changes are needed to BSC documents, systems and processes to support P413 and what are the related costs and lead times?
  - i. When will any required changes to subsidiary documents be developed and consulted on?
- h) Are there any Alternative Modifications?
- i) Should P413 be progressed as a Self-Governance Modification?
- j) Does P413 better facilitate the Applicable BSC Objectives than the current baseline?
- k) Does P413 impact the EBGL provisions held within the BSC?
  - i. If so, what is the impact on the EBGL Objectives?

# Timetable

Event	Date
Present IWA to Panel	10 September 20
Workgroup Meeting 1	22 September 20
Workgroup Meeting 2	W/B 12 October 20
Workgroup Meeting 3	W/B 16 November 20
Assessment Procedure Consultation	14 December 20 – 15 January 21
Workgroup Meeting 4	W/B 25 January 21
Present Assessment Report to Panel	11 February 21
Report Phase Consultation	15 February 21 – 1 March 21
Present Draft Modification Report to Panel	11 March 21
Issue Final Modification Report to Authority	15 March 21





# AREAS FOR CONSIDERATION





# NEXT STEPS

MEETING CLOSE

# ELEXON

## THANK YOU

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**Chris Arnold**

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22<sup>nd</sup> September 2020