

Phase

Draft Report

Consultation

Final Report

Implementation

P423 'Market-wide Half Hourly Settlement (MHHS) Implementation and Governance Arrangements'

This Modification makes a number of changes to the Balancing and Settlement Code (BSC) to set out the detailed implementation and governance arrangements that the Authority considers are needed to implement Market-wide Half-Hourly Settlement (MHHS).



This is an Authority Led SCR Modification. It did not follow the standard Modification Procedures. Instead it followed the timetable set by the Authority and the Authority Led SCR Modification Proposal procedure detailed in BSC Section F5.3A.



The BSC Panel recommends **approval** of P423



The BSC Panel **does not** believe P423 impacts the parts of the European Electricity Balancing Guideline (EBGL) terms and conditions for Balancing, contained within the BSC

This Modification is expected to impact:

- Suppliers;
- Data Communications Company;
- Data Collectors;
- Data Aggregators;
- Meter Operator Agents;
- MHHS Impacted Code Bodies;
- Licensed Distribution System Operators;
- National Electricity Transmission System Operator (NETSO); and
- Elexon

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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, 7 and 8
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

This is the P423 Draft Authority Led SCR Modification Report, which Elexon will present to the Panel at its meeting on 16 September 2021. It includes the responses received to the Panel's consultation on its initial recommendations. The Panel will consider all consultation responses and will agree a final recommendation to the Authority on whether or not the change should be made.

An Authority Led SCR Modification Proposal does not follow the standard Modification Procedures. Instead it will follow the timetable set by the Authority and the Authority Led SCR Modification Proposal procedure detailed in [BSC Section F5.3A](#).

There are six parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the Authority Led SCR Modification Proposal form.
- Attachment B contains the draft redlined changes to the BSC for P423.
- Attachment C contains the draft MHHS Governance Framework document for information.
- Attachment D contains the letter sent by the Authority to the Panel outlining its approach to this Modification.

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- Attachment E contains the full responses to the Authority Led SCR Modification Consultation.

Why Change?

Ofgem published its decision to proceed with [Market-wide Half Hourly Settlement \(MHHS\) in April 2021](#). MHHS will utilise the potential of smart meters to allow accurate consumption by smaller users to be measured and updated in real time, which will make it possible for almost all electricity consumption to be measured as close to real time as possible, and for all billing to be settled every half hour.

P423 will ensure that the BSC reflects implementation and governance arrangements that will allow Elexon to effectively manage and oversee the MHHS implementation programme.

Solution

P423 seeks to ensure the BSC reflects implementation and governance arrangements that will allow Elexon to effectively manage and oversee the MHHS programme and require Elexon to undertake that programme management in a transparent, consultative and unbiased way. It will also require MHHS programme parties to develop and deliver the changes to their systems and business processes to ensure timely and cost effective implementation and to cooperate with the programme governance and processes, including testing, qualification and migration.

Following consultation responses the Proposer, Ofgem, has indicated it wants to make some changes to the legal text. Details of these clarification changes can be found in section 8 and Attachment B.

Impacts & Costs

Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Elexon (MHHS Implementation Manager and MHHS Participant)	<£1k	N/A	Update to BSC documents to give effect to the necessary powers and functions to implement MHHS. Ongoing costs will be as a result of MHHS implementation rather than P423 specifically.
Suppliers, Data Communications Company (DCC), Data Collectors, Data Aggregators, Meter Operator Agents, MHHS Impacted Code Bodies, Licensed Distribution System Operators (LDSOs)	N/A	N/A	P423 obliges MHHS Participants to deliver MHHS and follow the MHHS governance arrangements. Impacts will be as a result of MHHS implementation rather than P423 specifically.

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Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Total	<£1k	N/A	

Implementation

P423 should be implemented 5WD following Authority approval, which is expected to be given no later than 30 September 2021. This will ensure the MHHS implementation and governance arrangements are given effect as early as possible.

Recommendation

We invite the Panel to:

- **AGREE** with the evaluation of the Authority Led SCR Modification Proposal as detailed in this report;
- **AGREE** that P423:
 - **DOES** better facilitate Applicable BSC Objectives (c) and (d);
- **AGREE** that P423 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREE** that P423 should be **approved**;
- **AGREE** an Implementation Date of:
 - 5WD following Authority approval;
- **AGREE** the redlined text (that has been revised by Ofgem in response to the consultation); and
- **NOTE** the draft Governance Framework document in Attachment C, which the Authority may establish following implementation of this Modification Proposal.



Market-wide Half Hourly Settlement

Currently, generators and suppliers trade electricity in the wholesale market in half-hourly periods, but most domestic customers are settled on a 'non-half-hourly' basis, using consumption estimates that are based on a mix of profiles of average customers, and meter readings; there can be considerable variances between these.

There is no way for the wholesale market to adjust to variations in domestic consumption, such as by offering innovative smart tariffs, or by seeking to enable more flexible usage of energy (such as batteries), leading to a reduction in generation and network demand at expensive peak periods.

MHHS will utilise smart meters to allow accurate measurement of consumption by smaller users to be and updated as close to real time as possible, which will make it possible for almost all electricity consumption to be measured close to real time, and for all billing to be settled every half hour. This will streamline the market and reduce costs, with numerous benefits to consumers and wider society.

Ofgem estimates that it will bring consumer benefits of c.£1.6bn-c.£4.5bn (Net Present Value (NPV)) by 2045. [Ofgem published its decision to proceed with MHHS alongside the Full Business Case and Final Impact Assessment in April 2021](#) and expects full MHHS implementation to be completed by October 2025.

MHHS is a vital enabler of flexibility. It builds on changes already made requiring half-hourly settlement (HHS) for medium to large non-domestic consumers, and elective HHS for domestic and smaller non-domestic consumers. MHHS will send accurate signals to suppliers about the cost of serving their customers throughout each day. This will place incentives on suppliers to offer new tariffs and products that encourage more flexible use of energy and help consumers to lower their bills, for example time of use tariffs, automation, vehicle to grid solutions and battery storage. Making best use of existing infrastructure will reduce the need for future generation and network investment. This will help in decarbonising the electricity sector cost-effectively, which will benefit all consumers and wider society.

P413 'Market-wide Half Hourly Programme Manager'

P423 builds on the changes introduced by [P413 'Market-wide Half Hourly Programme Manager'](#), implemented on 27 April 2021. This Modification enables Elexon, as the BSCCo, to provide Market-wide Half Hourly Settlement Implementation Management services under the BSC. P413 expands Elexon's vires to carry out MHHS Implementation Management services as BSC activities and the capacity to sub-contract any elements of MHHS Implementation Management services during the period in which it is responsible for the provision of these services, amongst other accountabilities and obligations. In effect, P413 enables Elexon (as BSCCo) to fulfil the role of MHHS Implementation Manager, but does not provide the governance framework to do so. For example, it does not describe the obligations of MHHS Participants during the implementation of MHHS, or the responsibilities of the independent Implementation Assurance Provider. P423 will address this and build upon the foundations laid by P413.

What is an Authority Led SCR Modification Proposal?

An Authority Led SCR Modification Proposal is one of three routes available to the Authority for giving effect to a SCR. The Authority can direct NGENSO to raise a Modification Proposal, it can raise a Modification Proposal itself or follow a process that is substantially non-BSC to direct changes to the BSC, as is the case with P423. Changes to the BSC can also be made where legislation grants powers to do so. For example, the [changes to the BSC to facilitate the Government's Electricity Market Reform](#) were directed by the Department of Energy and Climate Change, from powers granted under legislation.

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MHHS Implementation Arrangements

In its MHHS decision, Ofgem confirmed that it was placing responsibility for management and delivery of the programme with industry, with Elexon acting as Senior Responsible Owner (SRO) for the programme and having responsibility for ensuring the timely and efficient implementation of MHHS.

In order to be introduced and successfully implemented, MHHS will require a governance framework that will oblige and enable MHHS parties to implement MHHS.

Proposed solution

The successful introduction of MHHS will require a number of changes to operational and governance procedures across the electricity market. These will be managed and implemented by Elexon, as the MHHS Implementation Manager, who will need a mandate to oversee the changes. MHHS programme parties will also need to be obligated to undertake the changes to their systems and processes to achieve a successful timely and cost-effective implementation of MHHS. All of these changes will require a Modification to the BSC.

P423 seeks to ensure the BSC reflects implementation and governance arrangements that will allow Elexon to effectively manage and oversee the MHHS programme and require Elexon to undertake that programme management in a transparent, consultative and unbiased way. It will also require MHHS programme parties to develop and deliver the changes to their systems and business processes to ensure timely and cost effective implementation and to cooperate with the programme governance and processes, including testing, qualification and migration. To achieve this, amendments are proposed to the following Sections:

- [BSC Section C 'BSCCo and its Subsidiaries'](#);
- [BSC Section D ' BSC Cost Recovery and Participation Charges'](#); and
- [BSC Section X, Annex X-1 'General Glossary'](#)

Separately, other affected code bodies will also be required to modify their codes in order to obligate them to confirm with the new operational and governance procedures that are being added to the BSC. Ofgem will separately be progressing these modifications for the affected codes.

Governance Framework Document

Subject to Ofgem approving and Elexon implementing P423, a new Governance Framework document will be designated by Ofgem. This document can be found in Attachment C, for information.

The Governance Framework will set out the detailed governance arrangements and may include:

- a governance framework for MHHS Implementation, including the creation of the MHHS Programme Steering Group and other representative and/or specialist groups as are required for MHHS Implementation;
- a change control process for MHHS Implementation;
- further details in relation to performance assurance for MHHS Implementation; and
- the initial MHHS Target Operating Model.

Proposer's Rationale

This Modification seeks to build a robust and successful implementation structure for MHHS. Ofgem has drawn on feedback and lessons learned from other energy market change programmes, to develop a robust set of obligations, governance proposals and assurance principles with the aim of ensuring effective and timely implementation of MHHS, bringing benefits to consumers.

This Modification has been developed as part of the [Electricity Settlement Reform SCR](#). It has been previously consulted on widely with stakeholders through Ofgem's [January 2021 Consultation on Programme Implementation Principles](#) and its [April 2021 Consultation on Implementation and Governance Arrangements](#). Ofgem published its [decision on the final implementation and governance arrangements to apply for MHHS](#) on 11 August 2021.

P423 will be progressed in parallel with code changes to other affected code bodies, including the Connection and Use of System Code (CUSC), the Distribution Connection and Use of System Arrangement (DCUSA) and the Smart Energy Code (SEC). It will also be incorporated into the Retail Energy Code (REC) once it is launched, which will obligate them to modify their codes, systems and processes so that MHHS implementation can take place effectively and in a coordinated way.

MHHS Code Changes

For the avoidance of doubt, P423 will **not** introduce the changes needed to give effect to MHHS itself. The changes needed to give effect to MHHS will be developed and managed by the Implementation Manager and will be implemented in the BSC via an Ofgem direction using powers granted under the Smart Energy Act.

P423 will instead introduce the governance framework that is required for the Implementation Manager and industry to give effect to MHHS.

Legal text

Proposed changes have been made to BSC Sections C, D and Annex X-1 to give effect to P423. These changes can be found in Attachment B.

4 Applicable BSC 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	Positive
(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 administering 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

Ofgem believe this modification will positively facilitate Applicable BSC Objectives (c) and (d) and is neutral on all other Relevant Objectives.

The positive impact on Objective (c) is because P423 will facilitate the delivery of MHHS. Having a robust set of implementation and governance arrangements in place will ensure the efficient and timely delivery of the MHHS programme. While not directly impacting upon competition in the electricity generation and wholesale markets, the successful implementation of the programme has a wider impact in developing a more effective energy market and encouraging increased market entry by new suppliers and others who will offer new and innovative products and services to consumers.

Ofgem believes P423 will positively impact Applicable Objective (d) by embedding a robust set of detailed code obligations, governance arrangements and assurance principles in the BSC. These will ensure that all MHHS programme parties are incentivised to deliver the programme in a cost effective, timely and efficient manner. This will ensure that the transition to the new settlement arrangements from the current arrangements is managed effectively by all the parties. In addition, as mentioned above, the introduction of MHHS will result in a faster and more efficient settlement system.

Impacts and costs overview

As noted, P423 will introduce only the governance framework required by the Implementation Manager and industry to implement MHHS. As such, the only costs expected as a direct result of this Modification are those incurred by Elexon to implement the necessary document-only changes.

This Modification will impact all those parties identified as MHHS Participants, as defined in paragraph 12.2.15 of Section C of the legal text - see Attachment B. For clarity, this includes:

- BSCCo (as a MHHS Participant, excluding its role as Implementation Manager);
- Suppliers;
- Licensed Distribution System Operators (LDSOs);
- The Data Communications Company (DCC);
- MHHS Affected Code Bodies;
- Data Aggregators;
- Data Collectors;
- Meter Operators Agent (MOAs);
- National Electricity Transmission System Operator (NETSO); and
- Any other person or category of person which the Authority directs.

MHHS Participants will be obligated to facilitate the implementation of MHHS to varying degrees, dependent on their role. A full description of these obligations are provided in paragraphs 12.11 – 12.16 of Section C in Attachment B.

Estimated central implementation costs of P423

Direct costs of Implementation for Elexon are restricted to document only changes.

Implementation cost estimates			
Organisation	Item	Implementation (£k)	Comment
Elexon	Systems	N/A	N/A
	Documents	<£1k	Cost of Elexon updating three Sections of the BSC
Industry	Systems & processes	N/A	Impacts would be as a result from MHHS implementation rather than P423.
Total		<£1k	

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Estimated on-going costs of P423

No ongoing costs to Elexon or market participants are expected as a direct result of P423, rather any ongoing costs are considered to be attributed to the implementation of MHHS itself.

P423 impacts

All MHHS Participants will be obligated to facilitate the implementation of MHHS to varying degrees, dependent on their role. Section 12.12 of Section C in Attachment B describes those obligations to which all MHHS Participants must adhere. Please note that the DCC has no obligations beyond those listed in section 12.12. Paragraphs 12.13 – 12.16 in Section C of Attachment B describes those obligations that are more specific to each MHHS Participant.

Again, P423 itself will not significantly impact MHHS Participants, rather the impacts expected are attributed to the implementation of MHHS itself.

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated impact
Suppliers	P423 will bind MHHS Participants to comply with MHHS governance	L
LDSOs		
Data Aggregators		
Data Collectors		
MOAs		

Impact on the NETSO	
Impact	Estimated cost
<p>NGESO are directly impacted as a Code Administrator for the proposed CUSC changes to facilitate MHHS.</p> <p>Further, NGESO are contributing to the MHHS programme and will be a member of the Programme Steering Group and Level 3 MHHS decision-making groups as outlined in Ofgem's MHHS Governance Framework.</p> <p>They use data from central Settlement to support effective system operation, and for forecasting, tariff setting and charging purposes, all of which will be impacted by MHHS.</p> <p>Although these are not direct impacts from this modification, they illustrate the importance of NGESO being involved with the MHHS programme and the need to participate in MHHS governance that P423 will introduce.</p>	N/A

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Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
Rules Management	Minor impact to implement necessary Code changes.	L

Impact on BSC Settlement Risks	
No direct impact on BSC Settlement Risks, as this Modification is creating the governance framework to allow the implementation of MHHS rather than implementing MHHS itself.	

Impact on BSC Systems and process	
BSC System/Process	Impact
No impact	No impact

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Impact
No impact	No impact

Impact on Code	
Code Section	Impact
BSC Section C	Changes to authorise Elexon to exercise new powers and functions in respect of the governance and operational procedures. In addition, amendments to place detailed obligations on MHHS programme parties, including BSCCo as a MHHS participant.
BSC Section D	Changes to clarify and authorise Elexon to recover costs or levy participation charges on signatories in order to pay for these new governance and operational procedures.
BSC Section X, Annex X-1	Changes to amend a number of definitions to align with the new governance and operational procedures.

Impact on EBGL Article 18 terms and conditions and objectives	
It is Elexon's view that P423 would not impact on BSC provisions that constitute EBGL Article 18 terms and conditions, as listed in Section F Annex F-2. It would also not create any new provisions that could be seen to constitute EBGL Article 18 terms and conditions. The Panel agrees with this view.	

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Impact on Code Subsidiary Documents	
CSD	Impact
No impact	No impact

Impact on other Configurable Items	
Configurable Item	Impact
No impact	No impact

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impact
Connection and Use of System Code	Separate Modification to be progressed by Ofgem that will bind the code body to comply with MHHS governance as an MHHS Participant
Data Transfer Services Agreement	No impact
Distribution Code	
Grid Code	
Retail Energy Code	Separate Modification to be progressed by Ofgem that will bind the code body to comply with MHHS governance as an MHHS Participant
Smart Energy Code	
Supplemental Agreements	No impact
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Ofgem are progressing Modifications to DCUSA, CUSC and SEC in parallel with this modification. These code changes will formally obligate them to work collaboratively with Elexon using the new operational and governance procedures that are being added to the BSC. Ofgem will be progressing code modification proposals for the other codes in due course. This approach has been confirmed in [Ofgem's update letter](#), published on 12 August 2021, also detailing the timelines for each modification.

Ofgem also expects to make changes to the REC once version 2.0 comes into force, which will be no earlier than 1 September 2021.

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Impact on a Significant Code Review (SCR) or other significant industry change projects

This change is being progressed as part of Ofgem's Electricity Settlement Reform Significant Code Review. This is an Authority-led SCR Modification which has been the subject of previous consultation (April 2021).

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	Positive
3) Reduced environmental damage	Positive
4) Improved quality of service	Positive
5) Benefits for society as a whole	Positive

Ofgem have highlighted four areas as having benefits from the implementation of MHHS, which this Modification will facilitate.

Lower bills than would otherwise be the case

Ofgem anticipates that the successful introduction of MHHS will make the electricity market more efficient by reducing frictional costs. It will also incentivise suppliers to offer new tariffs and products that encourage a more flexible use of energy and help consumers to lower their bills, for example time of use tariffs, automation, vehicle to grid solutions and battery storage. Ofgem estimate that MHHS will deliver net benefits to GB energy consumers in the range of £1,559m-£4,509m (NPV) between 2021 and 2045.

Reduced Environmental Damage

Ofgem believes that MHHS will play a strategic role in supporting the transition to a net zero electricity system. It will send accurate signals to suppliers about the cost of serving their customers throughout each day, something that will incentivise suppliers to offer new tariffs and products that encourage more flexible use of energy and help consumers to lower their bills. It will help to minimise the overall cost to current and future consumers of moving to a net zero electricity system, while maintaining security of supply and system efficiency, through reducing the need for infrastructure investment and facilitating more efficient use of generation and network assets.

Improved quality of service

Ofgem believes the incentives created by MHHS will encourage development of new products and services for consumers, helping them use electricity more flexibly, saving money and reducing their carbon footprint.

In management terms, responsibility for developing and then implementing MHHS will be with industry – although Ofgem will retain the role of Programme Sponsor. The industry-led approach will give industry more control over implementation, drawing on its deeper knowledge of, and expertise with, industry systems and processes, as well as allowing



What are the consumer benefit areas?

1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?

2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?

3) Will this proposal support:

i) new providers and technologies?

ii) a move to hydrogen or lower greenhouse gases?

iii) the journey toward statutory net-zero targets?

iv) decarbonisation?

4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

5) Are there any other identified changes to society, such as jobs or the economy.

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industry to take greater ownership of the reforms. As a consequence of this, central settlement processes will be more efficient.

Benefits for society as a whole

Ofgem anticipates MHHS will increase competition with suppliers, create a more flexible electricity wholesale market and facilitate the development of new, innovative business models, products and services that consumers can engage with in the future. It believes there will be numerous benefits, some quantifiable and some intangible, and it has published an [Impact Assessment that outlines this in detail](#).

Recommended Implementation Date

P423 should be implemented at the earliest opportunity following Authority approval. As such, an implementation date of 5WD following Authority approval is recommended.

The following table outlines the remaining timeline for P423 and the activities still to take place:

Activity	Date(s)
Draft Authority Led SCR Modification Report presented to Panel	16 September 2021
Final Authority Led SCR Modification Report submitted to Authority	20 September 2021
Authority decision (target)	30 September 2021
Implementation	5WD following Authority decision

Elexon presented the P423 Draft Authority Led SCR Modification report to the Panel at an ad hoc meeting on 19 August 2021.

Applicable BSC Objectives

The Panel unanimously agreed with Ofgem's opinion that P423 better facilitates Applicable BSC Objectives (c) and (d). A Panel Member commented that in relation to Applicable BSC Objective (c), the smart meter rollout benefits cannot be realised without this change; although the costs were high the benefits outweigh this. In addition, if industry is able to create a new environment that allows innovation to be challenged by providing quality services for customers, then this increase competition. Under Applicable BSC Objective (d), despite the additional costs, it makes sense for Elexon to manage and administer these rules as they already have the best expertise in this area and have previous experience of large change programmes i.e. this approach is the most efficient. Another Panel Member commented that P423 is also consistent with P413.

Separation Plan

A Panel Member noted the physical separation of the two Elexon roles (Implementation Manager and MHHS Participant) team and therefore queried whether the MHHS Programme team will be in the same office or situated at a different location. Elexon confirmed that the intention is to use one of the meeting rooms in the Elexon Offices at 350 Euston Road rather than looking for further accommodation that would come at an additional cost.

A Panel Member queried how the BSCCo Board will manage any conflicts of interest and whether it will have any links to the Senior Responsible Owner (SRO). Elexon advised that there have been a number of discussions with Ofgem on this point and noted nothing like this had not has been done before. Elexon noted that one member of the Executive team is acting as the Elexon Executive Sponsor for the MHHS Programme and the rest of the Executive Team are not involved in the Programme as Elexon is a market participant in its own right.

In respect of the Programme and reporting to the BSCCo Board, Elexon advised that the Elexon Executive Sponsor of the MHHS Programme is providing the BSCCo Board with a monthly update as to how the program is progressing, what their obligations are and if Elexon as SRO are fulfilling those obligations. Further, Ofgem noted that there are some high level provisions included in P423 which set out the limitations of the Board's involvement and engagement with the Programme. Ofgem advised that it had only recently received the draft separation plan so this had not yet been approved. A Panel Member encouraged early agreement of the separation plan, as he believed it was very important to finalise it early on.

Legal Text

A Panel Member noted 12.12.1(d) of the legal text which puts an obligation on participants to "refrain from any action that would unduly compromise or delay MHHS implementation". They therefore queried who would decide what is considered unreasonable and what this would be trying to avoid. Ofgem noted that this would be

aimed at Parties who would not be engaging in Programme activities e.g. not providing a testing environment when required. They confirmed that this would not apply to merger and acquisition activity so did not expect this to prevent parties from continuing with day-to-day business. However, Ofgem highlighted that with the current faster switching programme, there had been a lot of merger and acquisition activity but this had not got in the way of the ability for those parties to fulfil their obligations.

Cost Recovery

A Panel Member queried where Suppliers would be able to see the total cost recovered from Suppliers i.e. both the programme costs and the central system costs. Ofgem advised that this is something that will need to be managed via the MHHS Programme. Elexon confirmed that the appropriate mechanism for tracking the costs is currently being discussed. Another Panel Member emphasised that tracking of costs is very important as the legal text makes it clear that the cost is not a reason for Suppliers to disengage or fail to deliver on their Programme obligations.

Timetable

The Chair noted the tight turnaround in the timetable to make the ad-hoc Panel meeting on 16 September 2021 and queried whether there would be the opportunity to consider any comments received. Ofgem noted that it would not want to rush things through if substantial comments were received; they are optimistic in that the principles and drafting had previously been consulted on. Further, Ofgem had sought to take into account all comments received on the draft redlining and published how those comments had been addressed. However, if a number of substantial comments were received to the consultation then Ofgem may need to reconsider its current proposed timescales, though with the expectation that the Final Authority Led SCR Modification Report be submitted to the Authority before the end of September 2021.

Impacts

The NGESO Panel Member noted the absence of NGESO as an impacted Party commenting that they will have to contribute to the Programme as much as other parties. As a BSC Party, NGESO are supportive and pleased to be a part of the Programme (also part of the steering group) but suggested that this is drawn out further than is currently detailed in the report. Elexon agreed to this.

Governance

Finally, a Panel Member expressed disappointment that the appointment of the cross-code advisory group does not include the Code Administration Code of Practice (CACoP). He believed, the absence of CACoP undermined CACoP. Ofgem noted that the cross-code advisory group is part of the governance framework and as such is subject to the change process; issues such as this can therefore be raised by parties once implemented.

Panel's Initial Views

The BSC Panel initially and unanimously:

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- **AGREED** with the evaluation of the Authority Led SCR Modification Proposal as detailed in this report;
- **AGREED** that P423:
 - **DOES** better facilitate Applicable BSC Objectives (c);
 - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREED** that P423 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREED** a recommendation that P423 should be **approved**;
- **AGREED** the timetable for implementing the proposed Authority Led SCR Modification Proposal;
- **AGREED** an Implementation Date of:
 - 5WD following Authority approval;
- **AGREED** the draft redlined text in Attachment B; and
- **NOTED** the draft Governance Framework document in Attachment C.

8 Report Phase Consultation Responses

The Report Phase Consultation was issued on 24 August 2021, with responses invited by 8 September 2021.

Summary of P423 Report Phase Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P423 should be approved?	5	0	0	0
Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P423?	4	0	0	1
Do you agree with the Panel's recommended Implementation Date?	5	0	0	0
Will P423 impact your organisation??	4	1	0	0
Will your organisation incur any costs in implementing P423??	3	2	0	0
Do you agree with the Panel's initial view that P423 does not impact the EBGL Article 18 terms and conditions related to balancing held within the BSC?	4	0	0	1
Do you have any comments on the draft Governance Framework document in Attachment C?	2	3	0	0
Do you have any further comments on P423?	2	3	-	-

Overview of Consultation Responses

We received five responses to the consultation from the NETSO, two Distributors and two Suppliers. We also received a late response from the MHHS Implementation Manager, which is not included in the table above.

All respondents agreed with the Panel's initial recommendation that P423 should be approved as well as the Implementation date. There were also no concerns raised around the Panel's initial view that P423 does not impact the EBGL Article 18 terms and conditions related to balancing held within the BSC.

Three respondents indicated they would incur costs as part of P423, these related to the ongoing participation in the MHHS Governance Framework and longer term obligations to design, develop and implement system and process changes. No monetary values were provided for cost estimation.

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NETSO Impacts

NGESO highlighted in their response they believe they are impacted by P423 and this should be reflected in the Final Modification Report. NGESO are contributing to the MHHS programme and will be a member of the Programme Steering Group and Level 3 MHHS decision-making groups as outlined in Ofgem's MHHS Governance Framework.

They use data from central Settlement to support effective system operation, and for forecasting, tariff setting and charging purposes, all of which will be impacted by MHHS.

Although these are not direct impacts from this Modification, they illustrate the importance of NGESO being involved with the MHHS programme and the need to participate in MHHS governance that P423 will introduce. This Report has been updated to reflect these impacts.

Redlining Comments

One respondent made a number of comments concerning the proposed redlining – as can be viewed in Appendix 2. Following discussion with Ofgem, as the Proposer and the owner of the proposed redlining they have provided responses to the comments as detailed in Appendix 2 that have been relayed to the respondent in question and no updates were made to the legal text following a review of this consultation responses.

MHHS Implementation Manager response

The MHHS Programme (MMHSP) provided a response to the consultation in the form of a letter. The response queried three aspects of the redlining and can be found in Appendix 3. Following discussions and review with Ofgem two amendments have been made to the legal text in order to provide greater clarity.

Following conversation between Ofgem and MMHSP a point raised around the budget was agreed no legal text updates were required. This was due to nothing being present in the new drafting which requires BSCCo to give any greater or lesser weight to comments from the PSG, the Panel or BSC Parties. They will need to consider all comments and therefore Ofgem do not consider any change is needed.

The MHHS Programme asked for additional wording in Section C clause 12.4.3 to clarify that the Board can meet the Independent Assurance Provider (IAP). It is Ofgem's view that there is nothing in the current legal text that prevents the Board meeting with the IAP (as long as the separation requirements are met). However, in order to clarify the point, and to also clarify that such meetings would of course be subject to the separation requirements in the Governance Framework, an update has been made to the final sentence of C12.4.3 to read –

- "Subject to compliance with the MHHS Governance Framework, the Board shall be entitled to meet with the MHHS Independent Assurance Provider and to ask the MHHS Independent Assurance Provider to consider and report on any matter in relation to performance of the MHHS Implementation Manager roles (in which case and such reports shall be made available to all MHHS Participants, unless the Authority directs otherwise)."

The MHHS Programme queried Section C clause 12.5.2 stating this should be updated because the Implementation Manager has no means of ensuring these activities for the market participants. In order to accommodate the fact that MMHSP has limited control over

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these activities for market participants, Ofgem have amended the text as shown in red below.

- The responsibilities of the MHHS SRO shall include (without limitation): ... (d) ensuring the efficient, economical and co-ordinated design, build, testing and delivery of efficient, economical, co-ordinated and secure IT Systems and business processes for MHHS Implementation **both centrally and (insofar as within its reasonable control)** across all MHHS Participants;

We invite the Panel to:

- **AGREE** with the evaluation of the Authority Led SCR Modification Proposal as detailed in this report;
- **AGREE** that P423:
 - **DOES** better facilitate Applicable BSC Objectives (c) and (d);
- **AGREE** that P423 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREE** that P423 should be **approved**;
- **AGREE** an Implementation Date of:
 - 5WD following Authority approval;
- **AGREE** the redlined text (that has been revised by Ofgem in response to the consultation); and
- **NOTE** the draft Governance Framework document in Attachment C, which the Authority may establish following implementation of this Modification Proposal.

Appendix 1: Glossary & References

Acronyms

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

Acronyms	
Acronym	Definition
BSC	Balancing & Settlement Code
CSD	Code Subsidiary Documents
CUSC	Connection and Use of System Code
DCC	Data Communications Company
DCUSA	Distribution Connection and Use of System Agreement
EBGL	European Electricity Balancing Guideline
MHHS	Market-wide Half Hourly Settlement
NETSO	National Electricity Transmission System Operator
NPV	Net Present Value
REC	Retail Energy Code
SCR	Significant Code Review
SEC	Smart Energy Code
SRO	Senior Responsible Owner

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.

External Links		
Page(s)	Description	URL
2	BSC Modification P413 'Market-wide Half Hourly Settlement Programme Manager'	https://www.elexon.co.uk/mod-proposal/p413/
5	Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case	https://www.ofgem.gov.uk/publications/electricity-retail-market-wide-half-hourly-settlement-decision-and-full-business-case
6	BSC Section C 'BSCCo and its Subsidiaries'	https://www.elexon.co.uk/the-bsc/bsc-section-c-bscco-subsidiaries/
6	BSC Section D 'BSC Cost Recovery and Participation Charges'	https://www.elexon.co.uk/the-bsc/bsc-section-d-bsc-cost-recovery-and-participation-charges/
6	BSC Section X, Annex X-1 'General Glossary'	https://www.elexon.co.uk/the-bsc/bsc-section-x-annex-x-1-general-glossary/

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External Links		
Page(s)	Description	URL
6	Electricity Settlement Reform Significant Code Review: Launch Statement, revised timetable, and request for applications for membership of the Target Operating Model Design Working Group	https://www.ofgem.gov.uk/publications/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group
6	Market Wide Half Hourly Settlement (MHHS) – Consultation on Programme Implementation Principles	https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-mhhs-consultation-programme-implementation-principles
6	Market Wide Half Hourly Settlement (MHHS) – Consultation on Implementation and Governance Arrangements	https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-mhhs-consultation-implementation-and-governance-arrangements
6	Market-wide Half-hourly Settlement: Decision on implementation arrangements	https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-decision-implementation-arrangements?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_11-08-2021&utm_content=Market-wide+Half-hourly+Settlement%3a+Decision+on+implementation+arrangements&dm_i=1QCB,7HRH8,F31EM5,UGWHJ,1

Appendix 2: Consultation responses to redlining

BSC Section C		
Location	Comment	Response
12.2.2	"IT System" who's system is it Elexon, Industry or both this needs to be clearly defined.	This is a generic term and there is no need to define unless explicit e.g. 12.4.2
12.2.5	<p>More detail is needed to understand what the requirement of a data cleansing are. We previously raised the concern with regards to data cleansing within our response to Market Wide Half Hourly Settlement (MHHS) – Implementation Arrangements in June this year.</p> <p>As is was not clear from the consultation documents and proposed code changes what is meant by "data cleansing" as it does not explain what it will involve or, and who will be carrying it out.</p> <p>ScottishPower expects to carry out data cleansing as part of any system and process change but needs to know as soon as practicable what is intended here in order to determine the impact on our internal MHHS programme. We recognise the data cleansing has been challenging as part of the Switching Programme and would recommend that the exact data items are identified as early as possible to allow all suppliers (including their agents) and distributors to fully assess and understand the impacts on their individual businesses. This would also allow data cleansing to start far earlier, allowing any potential industry process issues to be identified and resolved quickly</p>	<p>It is Ofgem's opinion that it is too early to say what data cleansing is required.</p> <p>Opportunity to contribute to, consult on and obtain approval for the data cleansing plan using the governance framework, via the MHHS implementation programme. No need to amend legal text at this stage.</p> <p>This needs to be considered once programme is up and running</p>
12.4.8	<p>The Authority may, in accordance with the MHHS Governance Framework, determine that an entity other than the current MHHS Implementation Manager from time to time BSCCo is to perform some or all of the roles of the MHHS Implementation Manager (or parts of those roles) (for the purposes of this paragraph 12.4.8, the "Outgoing MHHS Implementation Manager"). In such circumstances:</p> <p>(a) BSCCo the Outgoing MHHS Implementation Manager shall cease to perform the relevant role(s), and the</p>	<p>The text as drafted does not preclude the IM changing more than once. We expect that if a new IM were appointed, there may need to be changes to the BSC to reflect the new relationship, and this point could be handled at that stage if required</p>

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BSC Section C		
Location	Comment	Response
	<p>remainder of this paragraph 12 shall be interpreted accordingly;</p> <p>(b) the Outgoing MHHS Implementation Manager and each MHHS Participant shall co-operate and provide reasonable assistance in relation to the transfer of functions;</p> <p>(c) BSCCo shall, if so directed by the Authority, contract with and pay the replacement provider of the relevant role(s) on the contract terms directed by the Authority; and</p> <p>(d) the Outgoing MHHS Implementation Manager and each MHHS Participant shall continue to comply with its obligations in respect of MHHS Implementation vis-à-vis the replacement provider of the relevant role(s).</p>	
12.6.2	<p>(d) ensuring that any decisions that will ultimately require modifications to this Code or any other Industry Code are developed and consulted upon in accordance with good regulatory practice Good Industry Practice.</p>	<p>Existing wording is appropriate. There is already an obligation on the implementation manager to comply with good industry practice – so no change is required. This had previously been considered and rejected – see Ofgem’s August decision.</p>
12.9.1	<p>(a) requiring an MHHS Participant to procure its own independent assurance of its readiness to meet specified programme milestones:</p> <p>Independent assurance is undertaken by Moorhouse for Faster Switching – Moorhouse are appointed by the DCC on Ofgem’s instructions and can provide an independent view, which can then be used by Ofgem to compare each party’s readiness on a comparative basis. Should MHHS participants be required to appoint individually, the peer comparison element will be lost. It might be that results cannot be shared. We have seen examples of the independent assurance provider challenging individual suppliers on their own status assessment. Our preference would be for the industry to</p>	<p>Issues have already been dealt with through decision in August. Policy decision taken for Ofgem to procure IPA function which was based on responses to April consultation.</p> <p>This is believed to contain an Incorrect references – supposed to be 12.17.3, sub paras A and B and not 12.9.1 sub paras A and B</p>

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BSC Section C		
Location	Comment	Response
	<p>appoint an independent assurance provider.</p> <p>(b) requiring a statement by an MHHS Participant signed by one or more board directors (or, if the MHHS Participant is not a company, an equivalent representative) regarding the MHHS Participant's readiness to meet specified programme milestones, accompanied by the evidence they have relied upon to make that statement.</p> <p>This requirement is too onerous, particularly when participants are required to undergo self-assurance reporting. It is also unnecessary, as it is part of the roles of both the Independent Assurance Provider and the Programme Party Coordinator to assess participants' readiness to achieve key programme milestones and enter and exit testing phases. Their assessments of readiness should be sufficient.</p> <p>As part of the Faster Switching Programme we are independently assessed, we are not requested to obtain director sign-off. As part of our own internal process, we do obtain approval of any self-assessments provided to Ofgem by the management team, however, that is not shared.</p> <p>If we were doing the assurance piece independently, we would expect this activity to be covered by the assurance provider appointed by SP.</p> <p>Peer comparison will be missing from this process should Ofgem progress with the idea that suppliers should procure this service independently e.g. some providers may take a firmer view and others more lenient. How will this inconsistency in application be addressed?</p>	
12.10.5	(b) managing and giving effect to the assurance principles and mechanisms set out in the MHHS Governance Framework;	Incorrect reference on first point, suggested changes are in sub para D rather than C.

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BSC Section C		
Location	Comment	Response
	<p>(c) where there are disagreements between the MHHS Implementation Manager and MHHS Participants, or between the MHHS SRO and the Programme Steering Group in relation to MHHS Implementation, providing an independent assessment of the issue and recommendations for resolution, including to escalate for Ofgem intervention if appropriate;</p> <p>(d) delivering independent assurance reporting to the MHHS SRO, to the MHHS Programme Steering Group and to the Authority in relation to MHHS Implementation;</p> <p>(f) Ensuring that there is independent assurance of compliance with the MHHS ISMS; and</p> <p>(g) Identifying and reporting to the Authority on conflicts of interest, including issues relating to BSCCo's separation of its roles of MHHS Implementation Manager and MHHS Participant in accordance with the MHHS Governance Framework.</p>	<p>Ofgem believe that no changes are required as it has already been clarified that PSG is included within definition of MHHS Participants referred to immediately before.</p> <p>No changes are required for the second point either as it's a recommendation for escalation and this is available under para 1.59 of the governance framework.</p> <p>Issue around conflicts of interest set out in para 1.10 of the governance framework, no need to also include legal text about this in code obligation</p>
12.12.1	<p>d) insofar as reasonably practicable refrain from any action which would compromise or unduly delay MHHS Implementation;</p> <p>(e) comply with its obligations under the MHHS Governance Framework;</p> <p>...</p> <p>(h) insofar as reasonably practicable comply with the Authority's directions from time to time relating to MHHS Implementation;</p>	<p>This was considered and addressed comments in August decision document – no change is required.</p>
12.12.3	<p>they must provide all information and access reasonably required by the MHHS SI, co-operate with the MHHS SI as reasonably required, and act in accordance with the reasonable instructions of the MHHS SI.</p> <p><u>BSC Paragraph 12.12.4(a)</u></p> <p>insofar as reasonably practicable, they must comply with their obligations under that plan;</p>	<p>This was considered and addressed comments in August decision document – no change is required.</p>

BSC Section C		
Location	Comment	Response
12.12.4	Each MHHS Participant is required to comply in so far as reasonably practicable with the assurance processes applied by the MHHS Independent Assurance Provider in accordance with the MHHS Governance Framework, and BSCCo shall (insofar as within its control) give effect to any decisions of the MHHS Independent Assurance Provider.	This was considered and addressed comments in August decision document – no change is required.
12.12. 5	(a) insofar as reasonably practicable , they must comply with the MHHS Defect Management Plan; (c) they must ensure that any defects it identifies are resolved in so far as this is within its control in accordance with the MHHS Defect Management Plan.	This was considered and addressed comments in August decision document – no change is required.
12.15.1	Is this wording correct now MOA are covered under the REC otherwise you would have to qualify in two places?	Yes, REC go-live doesn't impact need for parties to qualify under BSC to provide settlement services – BSC qualification still required
12.15.2	Is this wording correct now MOA are covered under the REC otherwise you would have to qualify in two places?	Yes, REC go-live doesn't impact need for parties to comply with BSC requirements
12.17.4	Each MHHS Participant is required to comply in so far as reasonably practicable with the assurance processes applied by the MHHS Independent Assurance Provider in accordance with the MHHS Governance Framework, and BSCCo shall (insofar as within its control) give effect to any decisions of the MHHS Independent Assurance Provider.	This was considered and addressed comments in August decision document – no change is required.
12.19.1	(a) Advanced notice of any increase/decrease in the budget needs to be communicated with the Industry on a quarterly basis (b) Need's to be clear and transparent (c) Representations and written explanations to be published in a central location Suppliers will need to monitor and track monthly the cost they will be expected to pay as a result of this programme. Any cost to the Industry is very important and	The expectation is that MHHS implementation manager will report to PSG on ongoing costs on a monthly basis. There is no requirement to build this into the legal text. Elxon noted this in discussion at the Panel meeting in August

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BSC Section C		
Location	Comment	Response
	the SRO should be tracking and make visible to all Suppliers the actual and forecasted total of central costs, central programme, central systems and DCC cost that Suppliers will be expected to pay on a monthly basis.	

To whom it may concern

Response to P423 – MHHS Implementation and Governance

Thank you for the opportunity to respond to Modification P423 (Market-wide Half Hourly Settlement (MHHS) Implementation and Governance arrangements). This response is from Elexon as Programme Manager of the MHHS Programme.

As you will be aware Elexon has been working with Ofgem on the development of the proposed governance arrangements for the MHHS Programme and has been setting up the arrangements to support the industry through the overall programme management of the programme. The MHHS Programme has been reviewing the proposed legal text for the Modification and there are three points that we would like to make, as we believe it would be beneficial to have more clarity in the legal text.

Firstly we would propose that there is a need to ensure that the legal text recognises that both the BSC Panel and the MHHS Programme Steering Group (PSG) will be able to make representations to the budget/business plans, but that neither of these bodies has any greater weight of opinion than the other. The BSC Panel already has rights under the BSC to consider the budget/business plan and make comment. We would therefore propose that a legal review is undertaken of the legal text to ensure that the existing rights of the BSC Panel are retained, whilst the new rights for the PSG are also established, but that neither has any more weighting than the other. Ultimately it is for the Elexon Board to consider all comments received from the BSC Panel and any other party and determine approval of the budget/business plan in light of comments received.

Our second point is that it would be beneficial to clarify the nature of the relationship that the Board wishes to have with the Independent Assurance Provider (IAP), in that the relationship will be one of co-operation to ensure that the programme remains on track. To that end in clause 12.4.3 we would propose that the words “the Board and the IAP shall meet as necessary” are added to highlight that the Board will not only receive reports from the IAP, but will also have discussions with the IAP with the objective of running a successful programme and having the ability to discuss and understand any challenges or issues that might arise. Similarly we would envisage the IAP and the IM will discuss the publication of reports to ensure that the IM is aware of any concerns that the IAP has at the earliest opportunity. We do not believe that this needs to be catered for in the legal text, but that this is something to be outlined in the contract with the IAP when it is let.

Finally there is a statement in the legal text that says that BSCCo IM responsibilities “shall include.... (d) ensuring the efficient, economical and coordinated design, build, testing, delivery of efficient, economical, co-ordinated and secure IT systems and business processes for MHHS Implementation across all MPs” – we do however believe that this should say “take reasonable steps to ensure”. This is because IM has no means of ensuring these activities for the market participants.

I trust that you find these comments helpful. If you wish to discuss them please get in touch with myself or Chris Welby in the MHHS Programme team.

Yours sincerely

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