Making a positive difference
for energy consumers

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Date: 13 August 2021

Dear Michael,

Electricity Settlement Reform Significant Code Review: Authority Led SCR Modification Proposal

We refer to our document[1] published on 12 August 2021 which sets out the proposed process for the first set of industry code modification proposals now being raised by the Gas and Electricity Markets Authority (the Authority)[2], pursuant to its Electricity Settlement Reform Significant Code Review (SCR)[3], that aim to establish the implementation and governance arrangements for Market-wide Half-Hourly Settlement (MHHS) implementation.[4]

Pursuant to and in accordance with Section F5.3A.1 of the Balancing and Settlement Code (BSC), and pursuant to the Electricity Settlement Reform SCR, the Authority hereby submits the enclosed Authority Led SCR Modification Proposal[5] for an Authority Led SCR Modification[6] to the BSC Panel.

This Authority Led SCR Modification Proposal has been developed following consultation with wider stakeholders, specifically through the MHHS Consultation on Implementation

[1] The document setting out further information about industry code modification proposals for MHHS implementation is on our website.
[2] The terms "the Authority", "we" and "us" are used interchangeably in this document.
[3] The Electricity Settlement Reform SCR Launch Statement (July 2017) is on the Ofgem website.
[4] For further information about the MHHS implementation and governance arrangements, see our Decision on MHHS implementation arrangements (August 2021) on our website.
[5] As defined by the BSC.
[6] As defined by the BSC.

and Governance Arrangements (the April 2021 consultation).[7] The purpose of the modifications in the Proposal is to specify the details of the framework within which industry-led delivery of MHHS implementation will occur, in line with our MHHS Decision and Full Business Case.[8]

In line with the Authority's SCR guidance[9], we have used the April 2021 consultation to set out the main principles underpinning the implementation and governance arrangements we plan to introduce over time to the BSC and to other affected codes, including drafts of the first set of BSC and other code changes we consider will be required to be placed on the various programme participants to ensure the successful implementation of MHHS. We have sought views from industry stakeholders on both the principles and proposed drafting for this first set of changes, updated versions of which accompany the Authority-led code modification proposals we are raising in relation to this SCR.

We have now carefully considered the responses to our April 2021 consultation and, where necessary, sought further feedback from stakeholders on certain points. We have updated the legal text we consulted on in the light of this. The revised proposed legal text is provided alongside our decision on MHHS implementation arrangements.[10] We have also discussed with colleagues in Elexon how to coordinate the BSC Panel's procedures to allow consideration of this Authority Led SCR Modification Proposal and provided periodic updates to the BSC Panel about the status of, and proposed next steps regarding, this Authority Led SCR Modification Proposal.

Please ensure that the enclosed Authority Led SCR Modification Proposal is published on the BSC website.

Next steps

We note that paragraph F5.3A.2 of the BSC states that, in response to an Authority Led SCR Modification Proposal, the BSC Panel shall prepare an Authority Led SCR Modification Report.[11] Under the terms of that paragraph, that Report shall include, *inter alia*, "(d) a timetable for implementation of the Authority Led SCR Modification, including the date with effect from which such modification could take effect." Under the terms of paragraph F5.3A.6 of the Code, the timetable for completion of the procedural steps for an Authority Led SCR Modification shall be set by the Authority in its sole discretion.

[7] The MHHS Consultation on Implementation and Governance Arrangements (April 2021) is published on our website.
[8] The MHHS Decision and Full Business Case (April 2021) appears on our website.
[9] The SCR Guidance document is available on our website.
[10] See a link to our Decision document in footnote 4 above.
[11] As defined by the BSC.

Accordingly, the Authority hereby sets the following timetable for completion by the BSC Panel of the procedural steps for this Authority Led SCR Modification:

Code provision	Procedural step	Deadline for completion
F5.3A.2	Preparation of Authority Led SCR Modification Report by BSC Panel (for industry consultation)	20 August 2021
F5.3A.3	Submission of Authority Led SCR Modification Report by the BSC Panel to the Authority (following consultation)	20 September 2021

Paragraph F5.3A.5 of the BSC states that the timetable referred to in paragraph F5.3A.2(d) for implementation of any modification shall be set by the Authority. We will aim to make a decision on this Authority Led SCR Modification as soon as possible. If the Authority approves it, then we will be seeking early implementation to ensure that the approved implementation and governance arrangements are in place so that all programme participants have certainty about their obligations and so the arrangements start working with earliest possible effect.

As noted in our decision on MHHS implementation arrangements, we intend to designate the Governance Framework that is published alongside it once (subject to our decision on this Authority Led SCR Modification) the relevant BSC provision is in place. For your information, we enclose the Governance Framework.

UK Guideline on Electricity Balancing (UK EBGL)[12]

In accordance with paragraphs F5.3A and F2.1.2 of the BSC, in raising this Authority Led SCR Modification Proposal, we have made an assessment as to whether the proposed changes seek to amend the EBGL Article 18 terms and conditions. We consider that they do not. With reference to our recent discussions with Elexon in relation to the UK EBGL, we also note that Elexon have advised that none of the terms of this Authority Led SCR Modification Proposal seek to amend the UK EBGL Article 18 terms and conditions.

[12] Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing as retained in domestic law following the UK's withdrawal from the European Union (UK EBGL)

Decision stage

As set out in our document of 12 August 2021[13], and following discussions with colleagues in the code bodies, we expect to submit this first set of Electricity Settlement Reform SCR modification or change proposals to the impacted codes during August 2021 (except for the Retail Energy Code (REC)).[14] This means that there may not be a single date for Authority decisions on this first set of Authority-led modification proposals under the Electricity Settlement Reform SCR.

Our desired target for a decision in relation to this Authority Led SCR Modification Proposal is 30 September 2021, although we will endeavour to issue a decision as soon as possible following our receipt of the Authority Led SCR Modification Report.

The Electricity Settlement Reform SCR is an Authority-led end-to-end SCR and the MHHS programme will require a number of sets of code modifications in the coming years. Our decisions on this first set of Authority-led modifications, should we decide to approve them, will help to establish the governance arrangements for MHHS implementation. As the transition to full MHHS implementation progresses, we intend to make further modifications under this SCR and/or pursuant to our powers under the Smart Meters Act 2018. Therefore, we do not expect the current set of modifications to be the final ones in respect of the Electricity Settlement Reform SCR. This SCR will remain open until we have made our final decision in relation to the final modification, and we will confirm when we consider that to have happened.

Finally, we would like to extend our thanks to Elexon for their support in taking forward this Authority Led SCR Modification along the timelines that have been required by the MHHS programme.

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Rachel Clark
Deputy Director and Senior Responsible Owner for Electricity Settlement Reform
Duly authorised on behalf of the
Gas and Electricity Markets Authority **13 August 2021**

[13] See footnote 1 above for the link to our 12 August 2021 document.
[14] In the case of the REC, REC version 2.0 is expected to come into force no earlier than 1 September 2021. We expect to raise a modification proposal to make the change to the REC after REC version 2.0 has come into force.