RETAIL ENERGY CODE

This document is classified as **WHITE**.
Information is for public, unrestricted dissemination and publication.

01	Initial Assessment Report
02	Preliminary Change Report
03	Final Change Report

FINAL CHANGE REPORT

R0003 – MARKET-WIDE HALF-HOURLY SETTLEMENT IMPLEMENTATION

DOCUMENT VERSION	2.0
DATE ISSUED	06/10/2021
DOCUMENT STATUS	POST-VOTE

RESPONSIBLE COMMITTEE	CHANGE PANEL

LEAD ANALYST	Jon Hawkins	jon.hawkins@recmanager.co.uk

CHANGE OVERVIEW

	High Impact: RECCo
	Medium Impact: None
	Low Impact: REC Parties

The intention of this proposal is to add a paragraph to the REC which places an obligation on RECCo to identify, plan and deliver all necessary changes on a timescale that is consistent with the baselined MHHS implementation plan in line with section C12 of the BSC.

RESPONSIBLE COMMITTEE DECISION

On 5th October 2021, the Change Panel voted unanimously to recommend to the Authority that Change Proposal R0003 should be **APPROVED** for implementation on 4th November 2021, subject to the Authority making a determination by 21st October 2021.

RETAIL ENERGY CODE

CONTENTS

BACKGROUND		
1.	SUMMARY	3
2.	PROBLEM STATEMENT	3
3.	USER STORIES	4
PROPOSAL		
4.	KEY RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES	4
5.	PROPOSED SOLUTION	4
6.	DRAFT LEGAL TEXT	5
7.	PROPOSED IMPLEMENTATION DATE AND APPROACH	5
8.	CHANGE PATH	6
9.	RESPONSIBLE COMMITTEE	6
10.	SUMMARY OF CONSULTATION RESPONSES	6
11.	SUMMARY OF AMENDMENTS MADE FOLLOWING CONSULTATION	6
12.	BUSINESS CASE ASSESSMENT	7
13.	CASE FOR CHANGE	7
14.	CODE MANAGER'S RECOMMENDATION	8
15.	RESPONSIBLE COMMITTEE DECISION	9
16.	APPENDIX 1 - LINKS	9
17.	APPENDIX 2 – CONSOLIDATED CONSULTATION RESPONSES	9

RETAIL ENERGY CODE

BACKGROUND

1 SUMMARY

The existing electricity settlement processes are set out in the Balancing and Settlement Code (BSC) with supporting processes and information set out in other codes, such as the REC, the Smart Energy Code (SEC), the Distribution Connection and Use of System Agreement (DCUSA) and the Connection and Use of System Code (CUSC). Ofgem are currently planning to implement Market-wide Half-Hourly Settlement (MHHS) through their Electricity Settlement Reform Significant Code Review (SCR) , which will impact several different and Industry Codes and their parties.

To ensure successful delivery of the project, additional sections are being added to the BSC to set out what is expected of participants in the MHHS programme. Under the proposed governance structure for the MHHS programme, Ofgem will retain accountability for its successful delivery as the Programme Sponsor. Elexon will act as the programme Senior Responsible Owner (SRO), giving it the responsibility for establishing, operating and managing appropriate programme governance to ensure timely and effective implementation.

During the January 2021 consultation on MHHS implementation principles , it was noted that Ofgem would place obligations on relevant Parties, including Suppliers, Network Parties, and the Data Communications Company (DCC), to comply with the programme.

The successful introduction of MHHS will be dependent upon all affected Code bodies, including RECCo, working collaboratively with Elexon and each other to deliver the changes to Codes, systems and processes necessary for MHHS implementation. Although there are various obligations that create a ‘duty to cooperate’ with the implementation of the outcomes of a Significant Code Review (SCR), the Code changes that are being progressed will mandate more detailed obligations. Ofgem are therefore progressing this Change Proposal to incorporate the relevant obligation on RECCo into the REC. Without the addition to the REC of specific wording which obligates RECCo to comply with the changes to the BSC, there is no legal requirement for RECCo (as a non-BSC Party) to support the implementation of MHHS, and no contractual recourse if its duties are not met.

2 PROBLEM STATEMENT

The successful introduction of Market-wide Half-Hourly Settlement (MHHS) requires changes to made to the systems and processes governed by other codes outside of the BSC, including the REC. Elexon as the Senior Responsible Owner (SRO) and Ofgem as the Programme Sponsor for the MHHS programme need assurance that all programme participants will support the implementation of the programme and deliver against the approved timetable. While there is a general ‘duty to cooperate’ with Significant Code Reviews that exists for licenced parties, there is no explicit legal requirement for RECCo (as a non-BSC Party) to support this and no contractual recourse if its duties are not met.

3 USER STORIES

REF.	USER STORIES
MARKET PARTICIPANT USER STORIES	
M1	As the Senior Responsible Owner for the Market-wide Half-Hourly Settlement programme, I need assurance that all programme participants will deliver the required changes in accordance with programme plan, so Market-wide Half-Hourly settlement can be introduced and implemented successfully.

PROPOSAL

4 KEY RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

4.1 RISKS AND ISSUES

No risks or issues have been identified in relation to this Change Proposal.

4.2 ASSUMPTIONS AND DEPENDENCIES

No.	DEPENDENCY	NOTES	STATUS
D1	The Authority will need to make a determination on whether to approve or reject this Change Proposal by 21st October 2021 if this is to be included in the standard REC release on 4th November 2021.	The Authority has requested that, if approved, this be included in the standard November 2021 release on 4th November 2021. There is a dependency that the Authority make their determination in time for this to be planned into this REC release. In the event a determination is not made by 21st October 2021, this Change Proposal will be implemented in the next standard REC release on 24th February 2022.	Open

5 PROPOSED SOLUTION

This modification proposes to insert a new clause into the REC to place an obligation on RECCo to comply with the obligations insofar as these apply to it under BSC section C12 'Market-wide Half-Hourly Settlement Implementation'. The changes in BSC section C12 place specific obligations on MHHS programme parties to ensure effective and timely implementation of MHHS.

These changes also establish the governance framework within which the development and delivery by industry of future changes for MHHS implementation can be made to ensure programme delivery takes place effectively and in a coordinated way. The detailed obligations are intended to complement relevant licensees' licence obligations of a 'duty to cooperate' with implementing the outcomes of an SCR.

While this change is not expected to have a direct impact on REC Parties, it is noted that the MHHS programme has significant impacts on a number of REC Parties as programme participants. There is an indirect impact that, in complying with this obligation, RECCo may be required to raise future Change Proposals that do have a direct impact on REC Parties and Service Providers. There is a further indirect impact for funding REC Parties as RECCo will need to consider activities required to comply with this obligation in future REC budgets. These will be subject to the standard consultation and approval process for the REC budget.

6 DRAFT LEGAL TEXT

This modification proposes to add a new clause to the main body of the REC (Clause 5.24) as follows:

"**Market-wide Half-Hourly Settlement Implementation**

5.24 RECCo shall (and the REC Board shall ensure that RECCo shall) comply with the obligations expressed to apply to RECCo (either specifically or generically as a category of participant) under section C12 (Market-wide Half-Hourly Settlement Implementation) of the Balancing and Settlement Code."

The legal text changes to deliver the proposed solution to R0003 can be found on the Change Proposal Page in the REC Portal.

7 PROPOSED IMPLEMENTATION DATE AND APPROACH

PROPOSED IMPLEMENTATION DATE	4th November 2021 – If a decision is made by the Authority to approve the change by 21st October 2021 24th February 2022 – If a decision is made by the Authority to approve the change after 21st October 2021

PROPOSED IMPLEMENTATION APPROACH	BIG BANG

The Authority has issued a required timetable for progression and requested that this Change Proposal target the standard REC release on 4th November 2021. As this is following an Authority-Approval Change Path, the final determination on whether to approve or reject the Change Proposal is made by the Authority.

There is a dependency that the Authority issue its decision on this Change Proposal by 21st October 2021 for this to be implemented on 4th November 2021. In the event a decision to approve the Change Proposal is made after this date, the implementation date will be the next standard REC release on 24th February 2022.

8 CHANGE PATH

CHANGE PATH	AUTHORITY-APPROVAL

This is an Authority Led Change Proposal which has been raised as part of the Electricity Settlement Reform Significant Code Review (SCR), which explores the case for proceeding with and implementing Market-wide Half-Hourly Settlement (MHHS). This proposal has been raised by the Authority in accordance with paragraph 9.3(d) of Schedule 5 to the REC, which requires the decision to approve the change to be determined by the Authority.

9 RESPONSIBLE COMMITTEE

RESPONSIBLE COMMITTEE	CHANGE PANEL

10 SUMMARY OF CONSULTATION RESPONSES

A consultation was issued on 14th September 2021 to obtain views on the Preliminary Change Report. In total six responses were received from three Distribution Network Operators, two Energy Suppliers and one Meter Administrator. The full set of non-confidential responses can be found in Appendix 2. The key themes from these responses have been summarised and set out below.

10.1 SUMMARY OF RESPONSES

10.1.1 COMMENTS ON THE SOLUTION

All respondents agreed with the proposed solution and did not have any comments in relation to this.

10.1.2 IMPLEMENTATION DATE AND TECHNIQUE

All respondents agreed with the proposed implementation date and technique.

10.1.3 CASE FOR CHANGE AND CODE MANAGER'S RECOMMENDATION

All respondents agreed with the Code Manager's recommendation that this change should be approved for implementation on 4th November 2021.

10.1.4 OTHER COMMENTS

Two respondents highlighted that, as identified in section 5 of this report, while this Change Proposal does not have direct impacts on REC Parties and wider stakeholders, it may lead to further Change Proposals that may have a more substantial impact to certain Market Participants.

Any future Change Proposal required as a result of this Change Proposal will be assessed in its own right. This will include considerations on the requirement to impact assess the solution with REC Parties, Service Providers and cross code stakeholders.

11 SUMMARY OF AMENDMENTS MADE FOLLOWING CONSULTATION

No amendments have been made to this report or the solution following the consultation.

12 BUSINESS CASE ASSESSMENT

On 20th April 2021 Ofgem published its Decision and Full Business Case on Market-wide Half-Hourly Settlement (MHHS) where it estimated that the chosen option for MHHS would deliver net benefits to GB energy consumers in the range of £1,559m-£4,509m over the period of 2021-2045.

On 23rd April 2021 Ofgem consulted on the Implementation and Governance Arrangements for MHHS where it proposed to place obligations on relevant parties, including Code bodies (and RECCo as a Code body) to comply with the programme. On 11th August 2021 Ofgem published their Decision on the implementation arrangements and confirmed they intend to take these proposals forward.

This change to the REC will ensure that RECCo (alongside other relevant Code bodies) will work collaboratively with Elexon (who manages and administers the BSC) and other programme participants to deliver the changes to Codes, systems, and processes necessary for MHHS implementation. This obligation will ensure that RECCo (and other relevant Code Administrators) are obliged to identify, plan, and deliver all necessary changes on a timescale that is consistent with the baselined MHHS implementation plan, to support the realisation of the benefits identified in Ofgem's Full Business Case.

13 CASE FOR CHANGE

The Code Manager considers that R0003 has the following impacts against the REC Objectives:

OBJECTIVE	IMPACT TYPE	JUSTIFICATION
To ensure the REC operates and evolves in a manner that facilitates	Positive	This objective will be better facilitated by the implementation of this Change Proposal as it will ensure that RECCo are obliged to identify,

the achievement of its mission statement		plan, and deliver all necessary changes to the Code required to support the implementation of Market-wide Half-Hourly Settlement. This will support the evolution of the REC required to support wider industry developments.
To ensure customers interests and data is protected in the operation of the REC	Positive	Ofgem has estimated that the MHHS programme will deliver significant benefits to consumers (net consumer benefits of between £1.6bn and £4.5bn over the period 2021-2045). Ensuring RECCo support the timely and efficient delivery of the programme will ensure consumer interests are protected in the realisation of these benefits.
To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs	Neutral	This Change Proposal does not positively or negatively impact this objective.

14 CODE MANAGER'S RECOMMENDATION

Based on the assessment in section 12 and 13 of this report, and the support for the solution received from respondents to the consultation, the Code Manager considers that the REC Objectives would be better facilitated on the basis of this Change Proposal being implemented than would otherwise be the case. The Code Manager recommends that the Change Panel recommend that the Authority:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 4th November 2021 (subject to a determination being made by the Authority no later than 21st October 2021)

15 RESPONSIBLE COMMITTEE DECISION

On 5th October 2021, the Change Panel voted unanimously to recommend that the Authority:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 4th November 2021, if a determination is made by 21st October 2021; or
- **APPROVE** the implementation date of 24th February 2022, if a determination is made after 21st October 2021.

16 APPENDIX 1 – LINKS

CHANGE PROPOSAL	Change Proposal Page
LEGAL DRAFTING	Link to EMAR – Change Set

17 APPENDIX 2 – CONSOLIDATED CONSULTATION RESPONSES

QUESTION	RESPONDENT DETAILS	RESPONSE	CODE MANAGER COMMENTS
Do you agree with the proposed solution? If not, please explain why?	**Scottish & Southern Electricity Networks (SSEN)** Distribution Network Operator	SSEN agrees with the solution. The MHHS programme will deliver benefits to customers and industry as a whole and it is vital cross code changes are aligned.	
	Scottish Power Energy Networks Distribution Network Operator	Notwithstanding points previously raised by the Industry regarding the timing of the design work for MHHS Programme and the potential risk to faster switching delivery. We are of the view that there is a requirement to introduce a clause to ensure REC's duty to co-operate and raise changes to support the delivery of MHHS.	

	Western Power Distribution Distribution Network Operator	We agree with the proposed solution.	
	Utilita Energy Supplier	Yes, we agree with the proposed Solution	
	EDF Energy Supplier	Yes, we agree with the proposed solution. It is vital that all industry parties are obliged to support the effective implementation of Market-wide Half-Hourly Settlement (MHHS), and deliver the benefits that MHHS will bring to the market, and to consumers. MHHS will have significant impacts on the retail energy market and changes will be required to the REC, enabled by the REC Code Manager, to ensure that MHHS is implemented in the most effective way, delivering benefits to consumers.	
	Power Data Associates Ltd Meter Administrator	Yes	
Do you agree with the proposed implementation date and implementation technique? If not, please explain why?	**Scottish & Southern Electricity Networks (SSEN)** Distribution Network Operator	Agreed	
	Scottish Power Energy Networks Distribution Network Operator	Yes	

	Western Power Distribution Distribution Network Operator	We agree with the proposed implementation date and technique.	
	Utilita Energy Supplier	Yes, we agree	
	EDF Energy Supplier	We agree with the proposed implementation date and implementation technique. As the MHHS Programme is already mobilising, we would prefer to see this change implemented as part of the November 2021 REC Release if possible.	
	Power Data Associates Ltd Meter Administrator	Yes	
Do you agree with the Code Manager's assessment of the Change Path, that this Change Proposal is subject to Authority-Approval?	**Scottish & Southern Electricity Networks (SSEN)** Distribution Network Operator	Agreed	
	Scottish Power Energy Networks Distribution Network Operator	Yes	
	Western Power Distribution Distribution Network Operator	We agree with the Change Path for this proposal.	
	Utilita Energy Supplier	Yes, we agree	
	EDF Energy Supplier	Yes, we agree that this Change Proposal is subject to Authority-Approval, as it is	

		part of the Settlement Reform Significant Code Review.	
	Power Data Associates Ltd Meter Administrator	Yes	
Do you agree with the Code Manager's recommendation that this Change Proposal should be approved for implementation on 4th November 2021 (subject to a decision being made by 21st October 2021)? If not, please explain why?	**Scottish & Southern Electricity Networks (SSEN)** Distribution Network Operator	SSEN agrees that the earliest implementation date following a decision by the Authority should be achieved.	
	Scottish Power Energy Networks Distribution Network Operator	Yes	
	Western Power Distribution Distribution Network Operator	We agree with the Code Manager's recommendation.	
	Utilita Energy Supplier	Yes, we agree	
	EDF Energy Supplier	Yes, we agree that this Change Proposal should be approved for implementation on 4th November 2021. As noted, the MHHS Programme is already mobilising and should be underpinned by the appropriate regulatory obligations.	
	Power Data Associates Ltd Meter Administrator	Yes	
Do you have any other comments	**Scottish & Southern Electricity Networks (SSEN)**	Not at this time	

relating to this Change Proposal?	Distribution Network Operator		
	Scottish Power Energy Networks Distribution Network Operator	While we are supportive of this change, we are conscious that there requires to be appropriate consideration on REC parties when delivering changes in terms of cost and impact across both the BSC and REC codes.	Any future Change Proposal required as a result of this Change Proposal will be assessed in its own right. This will include considerations on the requirement to impact assess the solution with REC Parties, Service Providers and cross code stakeholders.
	Western Power Distribution Distribution Network Operator	**No response**	
	Utilita Energy Supplier	No	
	EDF Energy Supplier	No.	
	Power Data Associates Ltd Meter Administrator	The impact of this change is not clearly identified. The impact of MHHS will have significant impact on all industry participants. The impact of adding this text into the REC is small, but the consequences of this inclusion are significant in scope for the REC Secretariate and for all REC Parties over the next few years.	Any future Change Proposal required as a result of this Change Proposal will be assessed in its own right. This will include considerations on the requirement to impact assess the solution with REC Parties, Service Providers and cross code stakeholders.