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

INITIAL ASSESSMENT REPORT

R0003 – MARKET-WIDE HALF-HOURLY SETTLEMENT IMPLEMENTATION

DOCUMENT VERSION	1.0
DATE ISSUED	03/09/2021
DOCUMENT APPROVAL STATUS	APPROVED BY CHANGE PANEL
RESPONSIBLE COMMITTEE	CHANGE PANEL

CHANGE OVERVIEW

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.

	High Impact: RECCo
	Medium Impact: N/A
	Low Impact: N/A

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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)[1], 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[2], 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.

[1] Electricity settlement reform | Ofgem
[2] Market Wide Half Hourly Settlement (MHHS) – Consultation on Programme Implementation Principles | Ofgem

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.

4 IMPACTS

REC PARTIES AND SERVICE USERS
N/A

REC SERVICE PROVIDERS
N/A

CONSUMERS
N/A

REC DOCUMENTS / PRODUCTS
Main Body

RECCO AND REC CODE MANAGER
RECCo
Code Manager

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.

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."

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 each other 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.

4.1 CROSS CODE IMPACTS

All programme participants will be required to comply with the new detailed obligations to be set out in section C12 of the Balancing and Settlement Code (BSC). The proposed changes to the BSC will also include the governance arrangements and provision of independent assurance for the programme. The intention of this modification is to formalise RECCo's, and by extension the REC Board's, cooperation with the agreed method of MHHS implementation to be set out in the BSC.

5 CHANGE PATH AND RESONSIBLE COMMITTEE

CHANGE PATH	AUTHORITY DETERMINED
RESPONSIBLE COMMITTEE	CHANGE PANEL

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.

This requires the decision to approve the change to be determined by the Authority.

6 PRIORITY STATUS AND URGENCY

PRIORITY STATUS	HIGH
URGENCY	URGENT

The Priority Status for this Change Proposal is 'High' based on a 'Significance' score of '1' and an 'Urgency' score of 3. This is broken down as below:

Significance:

- Legal/Regulatory Compliance – score of 2 as this will formally introduce a legal requirement for RECCo to deliver obligations set out in the BSC in relation to the MHHS implementation programme.
- Strategic Direction – score of 1 as RECCo are anticipating the need to support the MHHS programme as part of its future strategic planning.

- Consumer Impacts – score of 1 as Ofgem has assessed the MHHS programme will deliver significant benefits to consumers[3] (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 support the realisation of these benefits.

Urgency:

- This Change Proposal has been given an urgency score of 3 to reflect the need for it to be progressed immediately for it to achieve its required timetable, which has been set by the Authority in accordance with Clause 9.9(a) of the Change Management Schedule.

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PRIORITISATION MATRIX

Significance	Score	Weighting
Legal/Regulatory Compliance	2	30
Strategic Direction	1	20
Cost Benefits / Value	0	10
Consumer Impacts	1	30
Operational Efficiency	0	10

Urgency

3	N/A	13	23	33
2	02	12	22	32
1	01	11	21	31
0	00	10	20	N/A

Significance

Weighted Significance Score	1
Urgency	3
Overall Priority Score	13

Effort	0 - Minimal

Priority Score	Priority Status
23 - 33	Critical
13 - 22	High
11 - 21	Medium
00 - 10	Low

PRIORITY STATUS
High

We propose that this Change Proposal should follow an urgent timetable on the basis that:

- The change needs to be linked to a specific date (e.g. introduction of legislation, system release date, planned consultation or impact assessment timings, etc.).

The Authority has issued a required timetable for progression, which will require an urgent status to achieve. This is:

- Publish Initial Assessment Report – by 6th September 2021
- Conclude consultation process – by 20th September 2021
- Decision on whether to recommend approval or rejection to the Authority – 5th October 2021

[3] Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case | Ofgem

7 SUMMARY OF CHANGE PROPOSAL PLAN

The solution for this Change Proposal has already been developed by Ofgem and consulted on in its April 2021 Consultation on Implementation and Governance Arrangements[4] with the decision issued in August 2021[5]. Due to this, it was not deemed necessary to consult on the same solution again under the REC.

However, the timetable determined by the Authority allows for a short additional consultation period of 5 Working Days to be included in the plan which been included.

	FROM	TO
PRELIMINARY CHANGE REPORT ISSUED	09/09/2021	09/09/2021
CHANGE PANEL APPROVAL (EX-COMMITTEE)	13/09/2021	13/09/2021
CONSULTATION ISSUED	14/09/2021	20/09/2021
FINAL CHANGE REPORT ISSUED	24/09/2021	24/09/2021
RESPONSIBLE COMMITTEE DECISION	05/10/2021	05/10/2021
PUBLISH CHANGE DECISION	06/10/2021	06/10/2021
AUTHORITY DETERMINATION	06/10/2021	20/10/2021

[4] Market Wide Half Hourly Settlement (MHHS) – Consultation on Implementation and Governance Arrangements | Ofgem

[5] Market-wide Half-hourly Settlement: Decision on implementation arrangements | Ofgem

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8 GLOSSARY

TERM	DEFINITION
Authority	means the Gas and Electricity Markets Authority (GEMA) as established under section 1 of the Utilities Act 2000.
Authority Led Change Proposal	means a Change Proposal submitted by the Authority, or a Party acting at the direction of the Authority pursuant to a Significant Code Review.
Electricity Settlement Reform	The Significant Code Review of that name launched by the Authority in July 2017.
Elexon	means the company acting in its role as the BSC Agent pursuant to the Balancing and Settlement Code.
Market-wide Half-Hourly Settlement	Means the implementation programme established to enact the Electricity Settlement Reform.
Significant Code Review	means a review of one or more matters by the Authority which the Authority considers is: (a) related to a Code (whether on its own or together with other Energy Code(s); and (b) likely to be of significance in relation to the Authority's principal objective and/or general duties (as set out in section 3A of the Electricity Act and section 4AA of the Gas Act), statutory functions and/or relevant obligations arising under Law, and concerning which the Authority has issued a notice that the review will constitute a significant code review.