RETAIL ENERGY CODE

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

PRELIMINARY CHANGE REPORT

R0003 – MARKET-WIDE HALF-HOURLY SETTLEMENT IMPLEMENTATION

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RESPONSIBLE COMMITTEE	CHANGE PANEL

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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.

CODE MANAGER'S RECOMMENDATION

The Code Manager recommends Change Proposal R0003 is **APPROVED** for implementation on 4th November 2021.

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

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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)[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

[1] https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/electricity-settlement-reform
[2] https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-mhhs-consultation-implementation-and-governance-arrangements

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.	Closed

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 BUSINESS CASE ASSESSMENT

On 20th April 2021 Ofgem published its Decision and Full Business Case[3] 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[4] 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[5] 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

[3] https://www.ofgem.gov.uk/publications/electricity-retail-market-wide-half-hourly-settlement-decision-and-full-business-case
[4] https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-mhhs-consultation-implementation-and-governance-arrangements
[5] https://www.ofgem.gov.uk/publications/market-wide-half-hourly-settlement-decision-implementation-arrangements

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.

11 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 the achievement of its mission statement	Positive	This objective will be better facilitated by the implementation of this Change Proposal as it will ensure that RECCo are obliged to identify, 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.

12 CODE MANAGER'S RECOMMENDATION

Based on the assessment in section 10 and 11 of this report, 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).

13 CONSULTATION PLAN AND NEXT STEPS

The consultation on this Preliminary Change Report for R0003 will be published on the REC Portal on **14th September 2021** and will close on **20th September 2021**.

Following consultation, the Code Manager will produce an updated version of this Preliminary Change Report (referred to as the Final Change Report). This will include the outcome of the consultation, setting out a summary of the consultation submissions and the Code Manager's response.

The Final Change Report will be issued to the Change Panel to make its recommendation to the Authority.

14 APPENDIX

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