Retail Energy Code (REC) R0209: 'Implementation of Market-wide Half-Hourly Settlement (MHHS) Arrangements' (R0209)

Decision:	The Authority[1] has decided to approve[2] this change proposal[3]
Target audience:	REC Board, REC Parties and other interested parties
Date of publication:	26 November 2024
Implementation date:	On the same date as the M8 Milestone ('Code Changes Delivered') in the baselined MHHS Implementation Timetable

Background

In September 2021, Ofgem approved the Authority Led SCR Modification Proposal P423 'Market-wide Half Hourly Settlement (MHHS) Implementation and Governance Arrangements'. With effect from October 2021, P423 modified the Balancing and Settlement Code (BSC) to require the MHHS Senior Responsible Owner (SRO) to monitor and coordinate the development of the modifications to other industry codes, including the Retail Energy Code (REC), which are required for MHHS Implementation (in conjunction with the MHHS Affected Code Bodies and in consultation with MHHS Participants) and ensure that those modifications are presented to the Authority for implementation.

In response, the SRO established two governance groups to take forward this area of work. These were the Cross-Code Advisory Group (CCAG) and the Code Drafting Working Group (CDWG). The CDWG led on the drafting and review of the code changes necessary to reflect the baselined MHHS design, while the CCAG centrally coordinated, monitored and managed the code changes recommended by the CDWG. The MHHS Programme managed several rounds of consultation enabling wider Programme Participants to engage with and influence

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
[3] 'Change' and 'modification' are used interchangeably in this document.

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

the code text as it developed. On 21 August 2024, the CCAG agreed that this legal text properly reflected the MHHS Design and the CCAG Chair baselined it in accordance with the M6 deadline in the MHHS Implementation Timetable. The Chair of the CCAG, on behalf of the MHHS SRO, then wrote to Ofgem to request that we raise a modification bringing the draft provisions into effect. After satisfying ourselves that the baselined legal text was consistent with our April 2021 decision document and the objectives of the Electricity Settlement Reform SCR, we raised the modification proposal on 4 September 2024. This was an Authority Led SCR modification requiring the Code Manager to consult on it and report to Ofgem by 7 November 2024.

The change proposal

The proposal, R0209, includes revisions to 12 existing REC Schedules, the complete replacement of the Metering Operations Schedule and the creation of a new Schedule on MHHS Migration. Changes were also proposed to the Electricity Enquiry Service Definition, the Electricity Retail Data Service Definition and the Data Specification.[4] Taken as a whole, R0209 would ensure that the appropriate obligations, processes and provisions are defined within the REC at MHHS go-live to support a successful transition to the enduring governance and operational arrangements developed as part of the MHHS Programme.

REC Change Panel[5] recommendation

At the REC Change Panel ('the Panel') meeting on 5 November 2024, the Panel considered that R0209[6] would better facilitate REC Objectives (a), (b) and (c) and the Panel therefore unanimously recommended its approval.

[4] See https://recportal.co.uk/group/guest/-/implementation-of-market-wide-half-hourly-settlement-mhhs-arrangements.
[5] The REC Change Panel is established and constituted pursuant to and in accordance with Standard Condition 11B.8(a) of the Electricity Supply Licence and Standard Condition 11.8(a) of the Gas Supply Licence.
[6] As amended to reflect fully the agreed MHHS design, to improve clarity and to correct both typographical errors and incorrectly assigned Scenario Variants.

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

Our decision

We have considered the issues raised by the change proposal and the Final Change Report (FCR) dated 6 November 2024. We have considered and taken into account the responses to the industry consultation which are attached to the FCR.[7] We have concluded that:

- implementation of the change proposal will better facilitate the achievement of the applicable Objectives of the REC;[8] and
- approving the change is consistent with our principal objective and statutory duties.[9]

Reasons for our decision

In reaching our decision, we are satisfied that all views were appropriately considered and discussed throughout the R0209 modification process. In this regard, we particularly welcome the highly transparent manner, after the consultation period, in which the Code Manager communicated to interested parties the changes that it considered needed to be made to the legal text and the reasons for them. We are satisfied that these late revisions received proper consideration from industry and that they should, therefore, be incorporated into the proposal.

Assessment against REC Objectives

We consider this change proposal will better facilitate REC Objectives (a), (b) and (c) and that it has a neutral impact on the other relevant Objectives.

(a) to ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement

We note that the Panel agreed that the proposal would better facilitate this objective. This is because the proposal would ensure that the REC evolves as necessary to operate effectively

[7] REC change proposals, change reports and representations can be viewed on the REC Portal.
[8] As set out in Standard Condition 11B.6 of the Electricity Supply Licence and Standard Condition 11.6 of the Gas Supply Licence.
[9] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 and the Gas Act 1986.

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

during the transition to and under the enduring governance and operational arrangements for MHHS. Ofgem agrees that R0209 would ensure that the REC will be fit for purpose during and after the transition to MHHS and that, therefore, R0209 better facilitates REC objective (a).

(b) to ensure customers' interests and data is protected in the operation of the REC

The Panel agreed that the proposal would better facilitate this objective as it would update consumer-impacting processes to ensure they remain fit for purpose during and after the transition to MHHS. The Panel also noted that R0209 would ensure that MHHS-related data sharing is governed at least as securely as under the current arrangements (for example, by ensuring that, under MHHS, only qualified Parties can register or service Meter Point Administration Numbers (MPANs) and by providing for secure data communication from migrated MPANs). We share the Panel's view and, therefore, agree that the proposal would better facilitate REC objective (b).

(c) to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructure it governs

We note that the Panel agreed that the proposal would better facilitate this objective because, consistent with the MHHS design, it enables the aligned development of central systems and communication infrastructures across the REC. We agree with the Panel's view and, therefore, agree that the proposal would better facilitate REC Objective (c).

Further remarks

Implementation costs

Ofgem's Final Impact Assessment (IA) estimated quantified net benefits to GB energy consumers of £1.6bn to £4.5bn over the period 2021-45. The Final IA also noted that implementing MHHS (including third party access to HH consumption data) should deliver significant additional benefits that could not be quantified in advance arising from increased competition, innovation and consumer choice. As part of the Final IA, Ofgem sought to

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

estimate the costs of implementing and operating under the new MHHS arrangements. Our central cost estimate was £541.3m over the period 2021-2045.

Earlier this year, to facilitate an assessment of the impact of the MHHS-related code modifications, Ofgem asked MHHS Programme to seek information on a voluntary basis from Programme Participants about the costs of implementing and operating under the new MHHS arrangements. We reported the results of this exercise in the Proposal Form for this modification. Since then, the Programme has consulted on a proposal to delay MHHS go-live. Based on industry responses to the CR55 Change Request, the Programme submitted evidence to Ofgem about the effect of the delay on implementation costs. In making our decision on R0209, we have considered both the evidence submitted as part of the CR55 process and submissions on costs made via consultation responses on this modification. Even after taking into account the additional costs that might be caused by a delay to MHHS, total implementation costs still appear to remain an order of magnitude lower than the quantified benefits that we estimated would result from introducing MHHS (to which the benefits we could not quantify would be added). Ofgem therefore remains of the view that MHHS can be expected to deliver significant net benefits to energy consumers in Britain.

Next steps

The Electricity Settlement Reform SCR is an Authority-led end-to-end SCR. Our decision on R0209 introduces the changes to the REC that were identified in August 2024 as being necessary for the implementation of the MHHS arrangements. Following discussions with MHHS Programme and the REC Code Manager, we expect that further changes to the REC will be needed before MHHS 'go live'. These changes will be needed primarily in order to align the REC with changes to the MHHS design agreed through MHHS Programme governance since the legal text for R0209 was baselined in August 2024. Ofgem reserves the right to use its SCR powers to take forward such proposals if, for example, we consider this the most efficient way of ensuring that they are implemented before 'go live'.

It remains possible that further changes to the REC may be needed even after 'go live' to bring the new MHHS arrangements fully into effect. If further code changes do prove to be necessary, we may make those code changes under this SCR. Having done so, the SCR will

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

remain open until we have made our final decision in relation to the final code change, and we will confirm when we consider that to have happened.

Decision notice

In accordance with Standard Condition 11B of the Electricity Supply Licence and Standard Condition 11 of the Gas Supply Licence, the Authority hereby approves REC Change Proposal (R0209) 'Implementation of Market-wide Half-Hourly Settlement (MHHS) Arrangements'.



Melissa Giordano, Deputy Director Retail
Signed on behalf of the Authority and authorised for that purpose

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk