

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 393:</h1> <h2>Market-wide Half-Hourly Settlement (MHHS) Implementation and Governance Arrangements</h2> <p>Date Raised: 13 August 2021</p> <p>Proposer Name: Rachel Clark</p> <p>Company Name: Ofgem</p> <p>Party Category: N/A</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p>Purpose of Change Proposal:</p> <p>This Change Proposal seeks to ensure that DCUSA Limited (alongside other relevant code bodies) will work collaboratively with Elexon and each other to deliver the changes to codes, systems and processes necessary for Market-wide Half-Hourly Settlement (MHHS) implementation. The proposed approach is to place an obligation on DCUSA Limited (and other relevant code bodies), to identify, plan and deliver all necessary changes on a timescale that is consistent with the MHHS implementation plan.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Treated as a Part 1 Matter • Treated as an Authority-Led Change Proposal • Progressed to the Change Report phase <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties:</p> <p>All Parties</p>	
	<p>Impacted Clauses:</p> <p>7.42 (New Clause to be added to Section 1B)</p>	

Table of Contents		 Any questions?
1 Summary	3	Contact: Code Administrator
2 Governance	4	 DCUSA@electralink.co.uk
3 Why Change?	5	 020 7432 3011
4 Solution and Legal Text	5	Proposer: Rachel Clark (Ofgem)
5 Code Specific Matters	6	 HalfHourlySettlement@ofgem.gov.uk
6 Relevant Objectives	6	 020 7901 7000
7 Impacts & Other Considerations	7	Other: Anna Stacey (Ofgem)
8 Implementation	9	 HalfHourlySettlement@ofgem.gov.uk
9 Recommendations	9	 020 7901 7000
Indicative Timeline		
The Secretariat recommends the following timetable:		
Initial Assessment Report	18 August 2021	
Change Report Approved by Panel (ex-committee meeting required)	TBC	
Change Report issued for Voting	1 September 2021	
Party Voting Closes	21 September 2021	
Change Declaration Issued to Parties	22 September 2021	
Change Declaration Issued to Authority	22 September 2021	
Authority Decision	08 October 2021	

1 Summary

What?

- 1.1 Ofgem is in the process of making a number of changes to the Balancing and Settlement Code (BSC) in order to implement new procedures and governance arrangements required to deliver Market-wide Half-Hourly Settlement (MHHS). This will be governed and administered by Elexon as part of industry-led delivery of MHHS. We have consulted on these proposals.
- 1.2 The successful introduction of MHHS will be dependent upon all affected code bodies, including DCUSA Limited, working collaboratively with Elexon and each other to deliver the changes to codes, systems and processes necessary for MHHS implementation. We are therefore progressing this modification to incorporate the relevant obligation on DCUSA Limited into the DCUSA.

Why?

- 1.3 Currently, generators and suppliers trade electricity in the wholesale market in half-hourly periods, but most customers are settled on a 'non-half-hourly' basis, using usage estimates that are based on profiles of average customers and meter readings. There can be considerable variances between these estimates and actual usage.
- 1.4 Market-wide Half-Hourly Settlement (MHHS) will utilise the potential of smart meters to allow accurate consumption by smaller users to be measured and updated in real time, which will make it possible for all electricity consumption to be measured every half hour. This will increase competition and innovation in the market and reduce costs, with numerous benefits to consumers and to wider society. We estimate that it will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045.
- 1.5 We have published our [decision to proceed with MHHS alongside the Full Business Case and Final Impact Assessment \(April 2021\)](#). We have set out our expectation for the transition to full MHHS implementation to be completed by October 2025. In our decision, we confirmed that responsibility for management and delivery of the programme would sit with industry, with Elexon acting as Senior Responsible Owner (SRO) for the programme and having responsibility for ensuring the timely and efficient implementation of MHHS.
- 1.6 The successful introduction of MHHS will require a number of changes to operational and governance procedures across the electricity market. These will be managed and implemented by Elexon. These changes are being progressed through modifications to the BSC and to other affected codes – see [Ofgem's update \(12 August 2021\)](#). The first BSC modification is P423.
- 1.7 Additionally, other code bodies will need to coordinate the modification of their codes. Equivalent changes to other affected codes will also obligate them to work collaboratively with Elexon on MHHS implementation, and to undertake to make changes to their systems and processes to bring them into alignment with the new operational and governance procedures. Ofgem are progressing modifications separately for each of the affected codes.

- 1.8 The successful introduction of MHHS will be dependent upon all affected code bodies, including DCUSA Limited, 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 an SCR, the code changes that are being progressed will mandate more detailed obligations. Ofgem are therefore progressing this modification to incorporate the relevant obligation on DCUSA Limited into DCUSA.

How?

- 1.9 In the case of the DCUSA, Ofgem proposes to add a new clause 7.42 to the main body of the DCUSA to ensure that DCUSA Limited is obligated to comply with the new operating procedures and governance arrangements that will be introduced in order to implement MHHS:

"Market-wide Half-Hourly Settlement Implementation

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

2 Governance

Justification for Part 1 and Part 2 Matter

- 2.1 This is an Authority-led Change Proposal and as such is a Part 1 Matter.

Requested Next Steps

- 2.2 This Change Proposal should:
- Be treated as a Part 1 Matter;
 - Be treated as a Urgent Change; and
 - Proceed to the Change Report phase.
- 2.3 This is an Authority-Led Change Proposal. It will not follow the standard DCUSA change process. Instead it will follow the timetable set by the Authority and the Authority-Led Change Proposal procedure as detailed in Clause 11.9A of the DCUSA – see page 2 above.

3 Why Change?

Introducing Market-wide Half-Hourly Settlement (MHHS)

- 3.1 The Electricity Settlement Reform Significant Code Review (SCR) has considered the benefits that a successful introduction of MHHS would bring to the energy market. We published [our decision and a Full Business Case](#) for proceeding with MHHS in April 2021.
- 3.2 The successful introduction of MHHS is a key component of our work to facilitate decarbonisation and a smarter, more flexible energy sector. It will capitalise on the rollout of smart metering infrastructure and previous work on half-hourly settlement (HHS) to encourage innovative products and services that would enable consumers to benefit from the energy system transition.
- 3.3 We estimate that MHHS will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045. We believe that MHHS will play a strategic role in supporting the transition to a net zero carbon electricity system. It will also deliver benefits that we expect to see but cannot quantify, notably increased competition amongst retailers and innovation in new products and services.
- 3.4 The successful introduction of MHHS will require a number of changes to operational and governance procedures across the electricity market. These will be managed and implemented by Elexon. Our proposed modification to the BSC sets out a detailed framework for them to oversee the changes. In our MHHS decision, we confirmed that responsibility for management and delivery of the programme would sit with industry, with Elexon acting as Senior Responsible Owner (SRO) for the programme and having responsibility for ensuring the timely and efficient implementation of MHHS.
- 3.5 Additionally, other code bodies will need to coordinate the modification of their codes. Equivalent changes to other affected codes will also obligate them to work collaboratively with Elexon on MHHS implementation, and to undertake to make changes to their systems and processes to bring them into alignment with the new the new operational and governance procedures. Ofgem are progressing modifications separately for each of the affected codes.

4 Solution and Legal Text

- 4.1 We propose to add a new Clause 7.42 to the main body of the DCUSA as follows. This will ensure that DCUSA Limited is obligated to comply with the new operating procedures and governance arrangements that will be introduced in order to implement MHHS:

"Market-wide Half-Hourly Settlement Implementation

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

Text Commentary

4.2 The insertion of the above new Clause into the DCUSA places an unambiguous requirement on DCUSA Limited to comply with the obligations insofar as these apply to it under Section C12 (Market-wide Half-Hourly Settlement Implementation) of the Balancing and Settlement Code (BSC). The changes in BSC 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.

5 Code Specific Matters

Reference Documents

- 5.1 [Ofgem consultation - 'Market Wide Half Hourly Settlement \(MHHS\) – Consultation on Programme Implementation Principles' \(22 January 2021\)](#)
- 5.2 [Ofgem decision - 'Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case' \(20 April 2021\)](#), including Ofgem's MHHS Full Business Case and Final Impact Assessment
- 5.3 [Ofgem consultation - 'Market Wide Half Hourly Settlement \(MHHS\) – Consultation on Implementation and Governance Arrangements' \(23 April 2021\)](#)
- 5.4 [Ofgem decision - 'Market-wide Half-hourly Settlement: Decision on implementation arrangements' \(11 August 2021\)](#)
- 5.5 [Ofgem update – 'Electricity Settlement Reform Significant Code Review: Authority-Led Code Modification Proposals \(12 August 2021\)](#)

6 Relevant Objectives

	DCUSA General Objectives	Identified impact
<input checked="" type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive
<input checked="" type="checkbox"/>	2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	Positive
<input type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Neutral
<input checked="" type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	Positive
<input type="checkbox"/>	5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

- 6.1 This Change Proposal will better facilitate DCUSA General Objective (1). The successful implementation of MHHS will ensure that charges to suppliers for wholesale electricity more accurately match actual consumption, rather than relying on estimates of consumer usage. This will incentivise suppliers to offer new tariffs and products that encourage a more flexible use of energy and help consumers to lower their bills, for example through time of use tariffs, automation, vehicle to grid solutions and battery storage. It will help to reduce cost to current and future consumers, through reducing the need for infrastructure investment and facilitating more efficient use of generation and network assets. This modification provides the framework within DCUSA, alongside the changes to other affected industry codes for MHHS to be successfully implemented.
- 6.2 This Change Proposal will better facilitate DCUSA General Objective (2) as the successful implementation of MHHS will ensure that electricity suppliers and other retailers face the true costs of serving all of their customers, incentivising the development and offering of new tariffs and services encouraging customer behaviour which contributes to a more cost-effective electricity system. This, alongside reduced barriers to entry from faster and more efficient settlement processes, will increase competition and facilitate new and disruptive business models in the energy market. This modification provides the framework within DCUSA, alongside the changes to other affected industry codes for MHHS to be successfully implemented.
- 6.3 This Change Proposal will better facilitate DCUSA General Objective (4). MHHS implementation will embed a robust set of detailed code obligations, governance arrangements and assurance principles in the BSC, and DCUSA's efficient operations will depend upon effectively coordinating its operations with the new procedures and governance arrangements that the BSC will be introducing after this point. These will ensure that all MHHS programme parties are incentivised to deliver the programme in a cost effective, timely and efficient manner. This will ensure that the transition to the new settlement arrangements from the current arrangements is managed effectively by all the parties.
- 6.4 This Change Proposal will support the development of more efficient and effective electricity wholesale settlement markets.

7 Impacts & Other Considerations

- 7.1 The Electricity Settlement Reform Significant Code Review (SCR) has considered the benefits that a successful introduction of MHHS would bring to the energy market. We published [our decision and a Full Business Case](#) for proceeding with MHHS in April 2021.
- 7.2 The successful introduction of MHHS is a key component of our work to facilitate decarbonisation and a smarter, more flexible energy sector. It will capitalise on smart metering infrastructure and previous work on half-hourly settlement (HHS) to encourage innovative products and services that would enable consumers to benefit from the energy system transition.
- 7.3 We estimate that MHHS will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045). We believe that MHHS will play a strategic role in supporting the transition to a net zero carbon electricity system. It will also deliver benefits that we expect to see but cannot quantify, notably increased competition amongst retailers and innovation in new products and services.

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

7.4 This Authority-led Change Proposal is raised pursuant to Ofgem’s Electricity Settlement Reform Significant Code Review.

Does this Change Proposal Impact Other Codes?

BSC.....	<input checked="" type="checkbox"/>	MRA.....	<input type="checkbox"/>
CUSC.....	<input checked="" type="checkbox"/>	SEC.....	<input checked="" type="checkbox"/>
Grid Code.....	<input type="checkbox"/>	REC.....	<input checked="" type="checkbox"/>
Distribution Code..	<input type="checkbox"/>	None.....	<input type="checkbox"/>

7.5 In parallel to this modification, we are separately progressing modifications to the codes of several other code bodies in parallel with this modification, namely, the BSC, the CUSC and the SEC. The BSC modification will introduce the implementation and governance arrangements for MHHS, including obligations on programme parties, the governance framework and independent assurance. The change to the other codes will formally obligate the affected code bodies to work collaboratively with Elexon using the new operational and governance procedures that are being added to the BSC. We will be progressing code modification proposals for the other codes in due course.

7.6 We also expect to make changes to the Retail Energy Code, once version 2.0 comes into force, which will be no earlier than 1 September 2021.

Consideration of Wider Industry Impacts

7.7 This change proposal is being progressed as part of Ofgem’s Electricity Settlement Reform Significant Code Review. The proposal has been developed in consultation with industry and was consulted on in April 2021. The [April 2021 consultation](#) was supported by the [MHHS decision and Full Business Case](#), which laid out the strategic, economic, commercial, financial and management cases for this changes; a Data Protection Impact Assessment; a Transition Timetable; and a Final Impact Assessment, which provides additional detail on economic and consumer impacts.

Confidentiality

7.8 N/A.

8 Implementation

Proposed Implementation Date

- 8.1 Subject to considering the views of the Panel and the DCUSA Parties through the Party Vote, Ofgem anticipates making a decision on this Change Proposal by 08 October 2021 and therefore consider that implementation of this modification should be on 15 October 2021. However, this assumes that all other affected Codes have been able to progress their modifications within the same timeframe. Should that not be the case our decision may be delayed, which would mean an equivalent delay to the implementation date. As a contingency, we propose that if we have not been able to make a decision by 08 October 2021, that implementation would be set for 5 working days following our approval or as so directed in our decision letter.

9 Recommendations

- 9.1 This Change Proposal was submitted to the Panel for Initial Assessment on 16 August 2021 and during their meeting on 18 August 2021, the Panel agreed for it to be progressed in line with the Proposer's views set out above. The Secretariat notes that the Panel did not have any specific recommendations that were to be taken forward as part of the progression of the Change Proposal.