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Action:	For Decision

Response to Ofgem consultation on MWHHS programme governance

1. Purpose

This paper summarises the key areas of Ofgem's most recent Market-Wide Half-Hourly Settlement (MWHHS) consultation. It also provides themes for a basis of a Panel response. The Panel is asked to provide any comments before a response is drafted.

2. Background

In January 2021, Ofgem consulted on their preferred method of programme governance for the MWHHS programme. Under the proposed governance structure Ofgem retains accountability for the successful delivery of the programme objectives as the Programme Sponsor. Whilst Elexon acts as the programme's Senior Responsible Owner (SRO) giving them the responsibility for establishing, operating and managing appropriate programme governance to ensure timely and effective implementation.

At the time it was noted that Ofgem would place obligations on relevant Parties, including Suppliers, Networks and the DCC, to comply with the programme. Although the exact mechanism for introducing these obligations was unknown.

In April 2021 Ofgem confirmed its approach and issued another consultation setting out the detail of the governance framework and their plan to introduce the relevant obligations. That consultation can be found [here](#).

3. Summary of consultation

The consultation is made of four main parts:

- Obligations on Parties
- Governance Structure
- Independent assurance
- Ofgem's role

The first two sections are of most interest to the SEC Panel and are summarised below, alongside key areas for consideration as part of a SEC Panel response.

Additionally, Ofgem issued a further consultation on 28 May 2021. This latest consultation sets out proposed changes to the Smart Meter Communication Licence to place obligations on the DCC as part of Ofgem's approach to place obligations on relevant bodies. It is planned to respond to both consultations following Panel comment on the sections below.

3.1 Obligations on Parties

Ofgem recognises that the implementation of MWHHS will impact several different Party types and Industry Codes. To ensure successful delivery of the project, additional sections are being added to the Balancing and Settlement Code (BSC) to set out what is expected of participants in the programme. Ofgem acknowledges that licenced parties already have a 'duty to cooperate' with a Significant Code Review (SCR), however they believe more detailed obligations are required. Therefore, all programme participants will be required to comply with the new details set out in the BSC.

Impact on SEC

The impact on the SEC is relatively light touch. It is proposed to include a new section as follows:

C7.13 *SECCo shall (and the Panel shall ensure that SECCo shall) comply with the obligations expressed to apply to SECCo (either specifically or generically as a category of participant) under section C12 (Market-wide Half-Hourly Settlement Implementation) of the Energy Code known as the Balancing and Settlement Code."*

The obligations referred to in this new paragraph relate to following and supporting the implementation timetable set by the MWHHS programme. We would expect SECAS to support and work closely with Elexon as part of the programme regardless of the new obligation, so the proposed amendment has no material impact.

We do note that Ofgem's intention behind the drafting is to "ensure that code administrators are obliged to identify, plan and deliver all necessary changes on a timescale that is consistent with the baselined MWHHS implementation plan". However, this current drafting places obligations on SECCo. SECCo is the corporate entity for the SEC, but it is SECAS who is the Code Administrator (undertaking prescribed functions under the oversight of the SEC Panel). We therefore believe the drafting of the new section C7.13 should be moved to C7.2 (L) (Code Administrator) and amended to say "SECAS" rather than "SECCo". Although we note there is no substantial difference in where the obligation is placed since actions will be discharged via SECAS.

Impact on Smart Meter Communication Licence

Since the DCC will be required to make changes to the Smart Metering Systems to support MWHHS, Ofgem intends to amend the Smart Meter Communication Licence to obligate the DCC to comply with the new sections of the BSC.

The intended drafting replicates that for SECCo as described above, in so far as the DCC will be considered a MWHHS participant and obligated to help support implementation by following the agreed implementation timetable. There are no other specific obligations on the DCC.

Whilst we agree with the principle of the DCC being obligated to support the implementation of the MWHHS programme we do not believe that amendments to the licence are required. Instead, the necessary paragraph should be added to the SEC.

The DCC are compelled to comply with all of their obligations within the SEC. It therefore seems logical to place the new obligations for supporting MWHHS in the SEC as well. Previously, amendments have occurred to the Smart Meter Communication Licence for Ofgem's Faster Switching programme and the DCC's new role as the Central Switching Service (CSS). However, the CSS was a new service provider role contracted under the Retail Energy Code; therefore, it was decided to reflect the DCC's extended role in the licence. Supporting cross code change and the MWHHS programme is not a new service; it is an extension of the work being undertaken as part of the SEC Modification process and should therefore be treated as equal to any other DCC obligation. To place the new obligations in the licence may create an impression that it is more important than other DCC obligations.

Equally, the Panel has oversight of compliance against the SEC objectives. Placing obligations to support cross code change outside of Panel purview does not simplify the role of the Panel in ensuring due process is followed in progressing modifications to the SEC and supporting other Codes. We would therefore recommend placing the obligation in the SEC and emphasising the DCC should be complying with all SEC obligations.

3.2 Governance Structure

Ofgem has set out the governance structure in a 'Governance Framework' document. The intent is that this will be a binding document which will come into force in September 2021. Any changes to the governance structures contained within the framework after that point will require a fully assessed change request.

The framework sets out the roles of Ofgem as 'Project Sponsor' and Elexon as 'SRO'. It also recognises the need for an independent assurance provider who will ensure that potential conflicts of interest between the Elexon roles are managed appropriately and that the programme is on schedule.

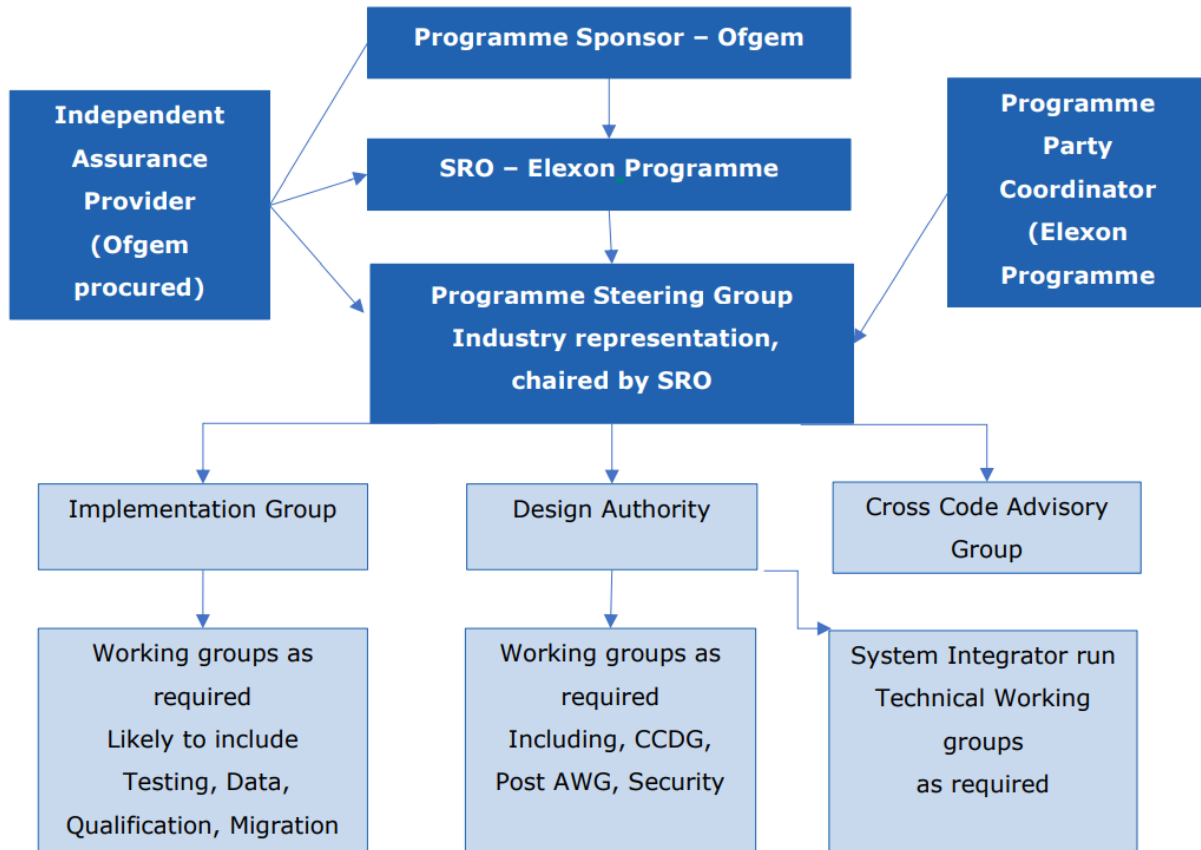
Further to defining these roles, the framework also sets out the governance groups and their role in the new ecosystem. The core groups to be established are:

- the Programme Steering Group
- the Design Authority Group
- the Implementation Group
- the Cross Code Advisory Group (CCAG)

Several Programme Workgroups (subgroups) will also be established which will report into the relevant core group. The intent is that the workgroups will be designed to enable Elexon to identify

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and understand the impact/cost of proposed courses of action. Each MWHHS participant will be invited to these groups, which means SECCo will have representation at any workgroup it wishes to attend.



Below we have set out a brief description of the key governance groups:

Programme Steering Group

The Programme Steering Group (PSG) is to be chaired by the SRO and used as the SRO decision making forum. The intent is for the SRO to seek consensus from PSG members when making decisions. However, if consensus cannot be reached the Independent Assurance Provider may refer the SRO decision to Ofgem.

The PSG consists of:

- SRO - Chair
- Programme Manager
- PMO
- Systems Integrator (ensures all parties can build and test their systems appropriately)
- Programme Party Coordinator (ensure all parties are aware of their obligations)
- Independent Assurance Provider
- Elexon Systems

- DCC as Smart Meter central system provider
- Any other provider of a central system required for MWHHS implementation
- 1 large supplier representative
- 1 medium/small supplier representative
- 2 supplier agent representatives
- 1 DNO representative
- 1 iDNO representative
- 1 consumer representative
- Ofgem (as an observer)

Ofgem has set a threshold for decisions that can be made by the SRO at the PSG. Any decisions that may have a significant impact on consumers or competition, that may impact project milestones by three months, or require a material change to the Target Operating Model (TOM), must be referred to Ofgem.

Cross Code Advisory Group

This group will be key for the SEC. Representatives from each of the impacted Industry Codes will meet to ensure there is confidence in the end-to-end approach and design, and that all required Modifications are coordinated. The Cross Code Advisory Group (CCAG) will report directly to the PSG, advising on any issues and/or risks they identify. The group will also be responsible for ensuring that any actions required in respect of their code to support the successful implementation of MWHHS are captured and there is a clear plan to deliver these actions. The CCAG will keep the PSG up to date on any progress against these actions.

We believe the governance arrangements provide suitable oversight from a SEC perspective and will allow for any identified issues to be quickly raised with the PSG, who can take necessary action. The addition of the Independent Assurance Provider also means that if it was felt any issues raised by the SEC were not being adequately resolved they can be easily escalated, and appropriate action taken.

We would recommend noting in the response that clarity and transparency on what decisions are being taken by what group when, and the outcomes will be key to making this governance structure work. For the CCAG to work effectively they will need to follow closely the work of the Design Authority and Implementation Group (see below). It will therefore be critical to know when to highlight issues and input into conversations at the right time.

Design Authority

The Design Authority is responsible for all design decisions, and all change requests that impact on design. They must ensure that any decisions are based on full transparency with programme participants, and appropriate consultation with impacted parties. Where parties raise significant concerns about a decision of the Design Authority it can be escalated to the PSG.

The exact structure and membership of this group has not yet been established, but we would recommend Technical Architecture and Business Architecture Sub-Committee (TABASC) Members are made aware of this group and seek membership.

Implementation Group

The Implementation Group is made up of industry representatives and will be responsible for proposing and consulting on recommendations to the implementation plan (including testing and migration plans etc).

The exact structure and membership of this group has not yet been established, but we would recommend OPSG Members are made aware of this group and seek membership.

3.3 Recommendations and next steps

In summary, we would recommend including in a response that:

- Obligations are placed on SECAS rather than SECCo (if the intent is to obligate Code Administrators);
- DCC obligations are placed in the SEC rather than the Smart Meter Communications Licence;
- The governance framework and associated assurance seem appropriate, but care must be taken to ensure information flows freely to the correct groups at the correct time.

Following any views captured at the June meeting SECAS will draft a formal response and circulate to the Panel ex-committee for review before submitting by 25 June 2021.

4. Recommendations

The Panel is requested to:

- **NOTE** the keys areas identified; and
- **AGREE** the themes for inclusion in the response.

Adam Lattimore

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11 June 2021