

Smart Energy Code Administrator
& Secretariat (SECAS)
(by email)

Direct Dial: 020 7901 7000

Email: HalfHourlySettlement@ofgem.gov.uk

Date: 19 August 2021

Dear Colleague,

Electricity Settlement Reform Significant Code Review: Authority-Led Variation

Direction pursuant to Section D9A (Authority-Led Variations) of the Smart Energy Code (SEC)

We refer to our document¹ published on 12 August 2021 which sets out the proposed process for the first set of industry code modification proposals now being raised by the Gas and Electricity Markets Authority (the Authority)², pursuant to its Electricity Settlement Reform Significant Code Review (SCR)³, that aim to establish the implementation and governance arrangements for Market-wide Half-Hourly Settlement (MHHS) implementation.⁴

DIRECTION PURSUANT TO SEC SECTION D9A

Pursuant to and in accordance with (1) Licence Conditions 23.7 and 23.12 of the Smart Meter Communication Licence⁵; (2) Sections D1.3(d), D2.4 and D9A of the Smart Energy Code (SEC), and (3) the Electricity Settlement Reform SCR, the

¹ The [document setting out further information about industry code modification proposals for MHHS implementation](#) is on our website.

² The terms “the Authority”, “we” and “us” are used interchangeably in this document.

³ The [Electricity Settlement Reform SCR Launch Statement \(July 2017\)](#) is on the Ofgem website.

⁴ For further information about the MHHS implementation and governance arrangements, see our [Decision on MHHS implementation arrangements \(August 2021\)](#) on our website.

⁵ Granted pursuant to sections 7AB(2) and (4) of the Gas Act 1986 and sections 6(1A) and (1C) of the Electricity Act 1989.

Authority hereby submits to the SEC Code Administrator the enclosed Authority-Led Variation⁶ by way of direction under SEC Section D9A.2.⁷

In terms of SEC Section D9A.3 (Authority-Led Consultation), this Authority-Led Variation has been developed following consultation with wider stakeholders, specifically through the MHHS Consultation on Implementation and Governance Arrangements (the April 2021 consultation).⁸ The purpose of the modifications in the Variation is to specify the details of the framework within which industry-led delivery of MHHS implementation will occur, in line with our MHHS Decision and Full Business Case.⁹ In our view, the consultation in relation to this Authority-Led Variation is such that it is unnecessary to submit the proposal to further Authority-Led Consultation.

In line with the Authority's SCR guidance¹⁰, we have used the April 2021 consultation to set out the main principles underpinning the implementation and governance arrangements we plan to introduce over time to the Balancing and Settlement Code (BSC) and to other affected codes (including the SEC), including drafts of the first set of BSC and other code changes we consider will be required to be placed on the various programme participants to ensure the successful implementation of MHHS. We have sought views from industry stakeholders on both the principles and proposed drafting for this first set of changes, updated versions of which accompany the Authority-led code modification proposals we are raising in relation to this SCR.

We have now carefully considered the responses to our April 2021 consultation and, where necessary, sought further feedback from stakeholders on certain points. We have updated the legal text we consulted on in the light of this. The revised proposed legal text is provided alongside our decision on MHHS implementation arrangements.¹¹ We have also discussed with colleagues in the Smart Energy Code Administrator & Secretariat (SECAS) how to coordinate the SEC Panel's and SEC Change Board's procedures to allow consideration of this Authority-Led Variation and have provided an update to the SEC Panel about the status of, and proposed next steps regarding, this Authority-Led Variation.

Please ensure that the enclosed Authority-Led Variation is published on the SEC website.

⁶ As defined by the SEC.

⁷ We note the terms of SEC Section D9A.2 and confirm that this direction is pursuant to the ongoing Electricity Settlement Reform SCR. The scope and subject matter of this SCR is set out in our Launch Statement – see footnote 3 above.

⁸ The [MHHS Consultation on Implementation and Governance Arrangements \(April 2021\)](#) is published on our website.

⁹ The [MHHS Decision and Full Business Case \(April 2021\)](#) appears on our website.

¹⁰ The [SCR Guidance document](#) is available on our website.

¹¹ See a link to our Decision document in footnote 4 above.

Next steps

We note that SEC Section D3.16 states that the SEC Panel shall, in the case of Authority-initiated Modifications, determine a timetable consistent with any relevant timetable issued by the Authority, and specify the date by which the Modification Report is to be finalised. We also note that SEC Section D3.18 states that the SEC Panel and other SEC bodies shall complete any and all of the respective tasks assigned to them in respect of a Modification Proposal in accordance with the applicable timetable.

Accordingly, and having consulted with SECAS, the Authority hereby sets the following timetable for completion by the relevant party of the procedural steps for this Authority-Led Variation:

SEC provision	Procedural step	Deadline for completion
D3.16	Authority-Led Modification Report to be completed	23 August 2021
D3.16 and D9A.6	"D9A.6 Upon completion of the Authority-Led Modification Report, the Code Administrator will place such report on the agenda for the next meeting of the Panel ¹² , which shall refer the report to the Change Board."	31 August 2021
D3.16 and D9A.7	"D9A.7 In respect of each Authority-Led Modification Report referred to the Change Board, the Change Board shall vote whether to approve the Authority-Led Variation."	29 September 2021
D3.16 and D9A.10	"D9A.10 The Code Administrator shall communicate the outcome of the Change Board vote to the Authority and the Panel, and shall send copies of the	30 September 2021

¹² The SEC Panel has delegated this responsibility to the Change Sub-Committee.

	following to the Authority: (...) (j) the Authority-Led Modification Report; and (k) the outcome of the Change Board vote, including the reasons given by the Change Board Members pursuant to Section D8.17 (The Change Board Vote)."	
--	---	--

In terms of SEC Section D9A.5 (Authority-Led Modification Report), we note that the Authority-Led Modification Report to be prepared by the Code Administrator is to specify the proposed implementation timetable, including the proposed implementation date. We will aim to make a decision on this Authority-Led Variation as soon as possible. If the Authority approves it, then we will be seeking early implementation to ensure that the approved implementation and governance arrangements are in place so that all programme participants have certainty about their obligations and so the arrangements start working with earliest possible effect.

Decision stage

As set out in our document of 12 August 2021¹³, and following discussions with colleagues in the code bodies, we expect to submit this first set of Electricity Settlement Reform SCR modification or change proposals to the impacted codes during August 2021 (except for the Retail Energy Code (REC)).¹⁴ This means that there may not be a single date for Authority decisions on this first set of Authority-led modification proposals under the Electricity Settlement Reform SCR.

Our desired target for a decision in relation to this Authority-Led Variation is October 2021, although we will endeavour to issue a decision as soon as possible following our receipt of the Change Board vote in relation to this Authority-Led Variation, as referred to above.

The Electricity Settlement Reform SCR is an Authority-led end-to-end SCR and the MHHS programme will require a number of sets of code modifications in the coming years. Our decisions on this first set of Authority-led modifications, should we decide to approve them, will help to establish the governance arrangements for MHHS implementation. As the transition to full MHHS implementation progresses, we intend to make further modifications

¹³ See footnote 1 above for the link to our 12 August 2021 letter.

¹⁴ In the case of the REC, REC version 2.0 is expected to come into force no earlier than 1 September 2021. We expect to raise a modification proposal to make the change to the REC after REC version 2.0 has come into force.

under this SCR and/or pursuant to our powers under the Smart Meters Act 2018. Therefore, we do not expect the current set of modifications to be the final ones in respect of the Electricity Settlement Reform SCR. This SCR will remain open until we have made our final decision in relation to the final modification, and we will confirm when we consider that to have happened.

Finally, we would like to extend our thanks to SECAS for their support in taking forward this Authority-Led Variation along the timelines that have been required by the MHHS programme.



.....
Rachel Clark
Deputy Director and Senior Responsible Owner for Electricity Settlement Reform
Duly authorised on behalf of the
Gas and Electricity Markets Authority

19 August 2021