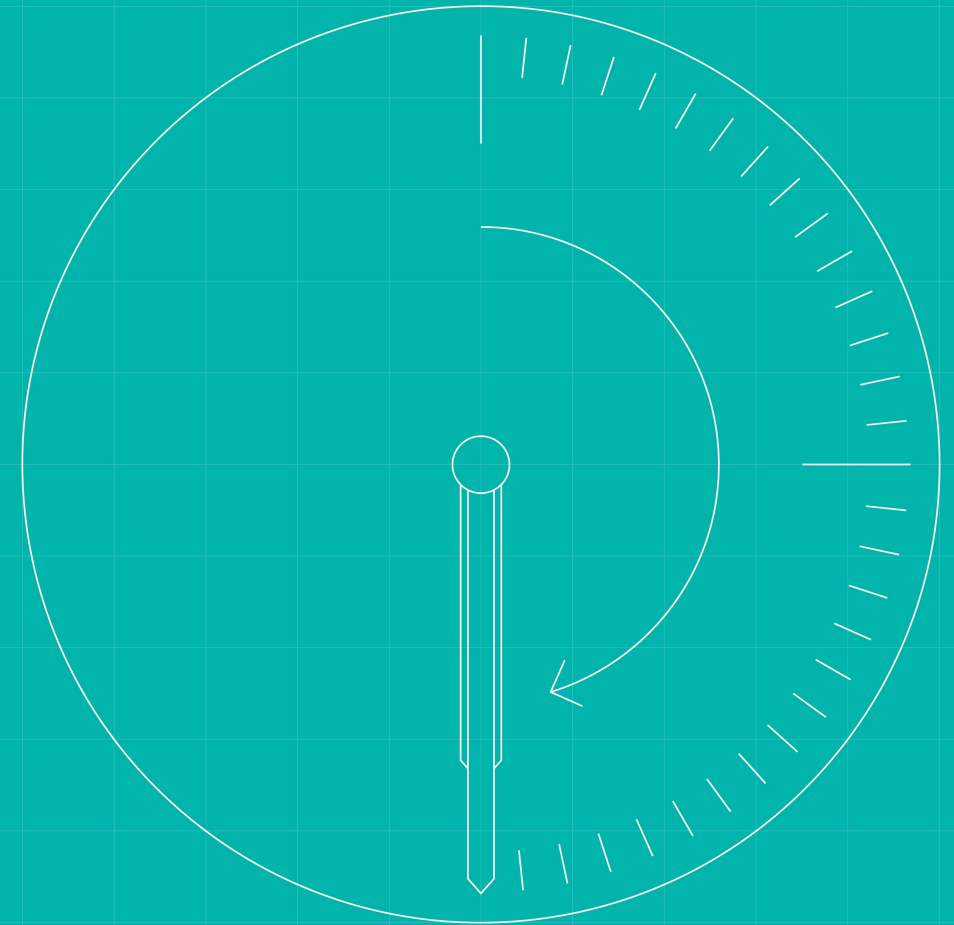


CR013 Decision

DECISION: CR013: Make a decision whether to approve or reject CR013 - Commercial Impacts Change Request

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CR013 – Impact Assessment Summary

Objective of this session:

PSG to review the outputs of CR013 Impact Assessment and SRO to make decision.

If CR013 is approved, the Programme recommends that: the Programme's proposed approach to deliver CR013 is enacted. The delivery approach will be iterative and has been informed by Impact Assessment responses from Programme Participants. The Programme will establish a dedicated Working Group, as suggested in several responses. Start date of the exercise is dependent on availability of resources to deliver the Change Request. We request industry propose suitable resources to the Programme to undertake and support market analysis.

Headlines:

- **A significant majority of respondents supported the request** to better understand the impact moving to half hourly settlement will have on the balancing regime and settlement
- The overall response rate for CR013 (12%); **in total, 17 respondents supported the change, 1 respondents rejected the change and 3 respondents abstained**
- Specifically, **8 respondents agreed to the change with unqualified support:**
 - The change supports the Programme's objective "to prove and provide a model for future such industry-led change programmes", by taking a proactive approach to identify and mitigate risks associated with the early operation of the new arrangements
 - The change will provide greater understanding of the interactions and impacts on settlement processes and support consumer experience
- **9 respondents supported the change, but highlighted the following considerations:**
 - Programme Participants must provide the necessary SMEs with the requisite time to contribute to the development of this work
 - The exercise should consider the effect on end consumers
 - Several respondents stated a distinct Working Group should be mobilised to respond to outcomes of the exercise
 - Several respondents stated the scoping exercise and the work required to understand settlement impact should be combined under one Change Request, eliminating unnecessary delay and cost
 - Uncertainty relating to Programme Participant's cost obligations to support the exercise, such as meeting attendance and responding to requests for information
 - Greater clarity required regarding delivery timescales and expected outputs
 - There are additional requirements to:
 - understand the impact on energy volume volatility as NHH customers move to HH settlement (whilst recognising the impact will be partly mitigated by the migration timelines)
 - consider the impact to DUoS billing; the Programme should consider an additional step in the Migration Plan for MHHS PMO to provide assurances and confidence to LDSO's that we will be able to continue to accurately and timely bill Suppliers for DUoS
- **1 respondent rejected the change:**
 - Ofgem has initiated the MHHS SCR and any review may re-open previous decisions
 - The exercise proposed in CR013 should be delivered by a relevant Code Body rather than the Programme
 - Impacts should be considered in the context of the purpose of the SCR which is to allocate energy (and network charges) more accurately (day and time of day) to Suppliers and their customers
 - The resource necessary to consider these impacts may be redirected from critical design and code drafting activity

CR013 – Submitted Impact Assessments

Please see appendix for full detail on CR013 Impact Assessment

| Programme Parties | CR013 Recommendations | | | | Market Share | | | |
|-------------------|-----------------------|----|-----------|-------------|--------------|----|-----------|-------------|
| | Yes | No | Abstained | Not Replied | Yes | No | Abstained | Not Replied |
| Large Suppliers | 3 | - | - | 3 | 59% | - | - | 41% |
| Medium Suppliers | 2 | - | - | 5 | 39% | - | - | 51% |
| Small Suppliers | 1 | - | - | 32 | <1% | - | - | 100% |
| I&C | 3 | - | - | 38 | 22% | - | - | 78% |
| DNOs | 4 | - | - | 3 | 61% | - | - | 39% |
| iDNOs | - | - | - | 13 | | | | |
| Ind. Agents | - | 1 | - | 47 | | | | |
| Supplier Agents | - | - | 2 | 4 | | | | |
| S/W Providers | - | - | - | 25 | | | | |
| REC Code Manager | 1 | - | - | - | | | | |
| National Grid | 1 | - | - | - | | | | |
| Consumer | - | - | - | 1 | | | | |
| Elexon (Helix) | 1 | - | - | - | | | | |
| DCC | - | - | - | 1 | | | | |
| SRO / IM & LDP | 1 | - | - | - | | | | |
| IPA | - | - | 1 | - | | | | |

- Market Share information is according to the latest Meter Point Administration Number (MPAN) data held by the Programme as at January 2023
- The classification of Independent and Supplier Agents is maintained by the Programme Party Coordinator and is subject to change

Rationale for being marked down as 'abstained'

- One Supplier Agent stated the largest impacts to settlement will be to the suppliers rather than Meter Operators
- One Supplier Agent stated other constituencies in the market are more impacted by this proposed change
- The IPA highlighted the change is not expected to have an impact on our activities and has no specific objections to the request

MHHS Programme Approach to Deliver CR013 (Page 1)

Scope of Work to Deliver CR013:

It is essential that the work done under CR013 is the scoping work set out below and not the substance of the analysis itself which will have to follow in a subsequent Change Request. The Programme believes it is important to be **outcome and deliverable focused** in taking on this work, rather than let the work develop as it goes. There is a dependency on this work completing in time to allow the industry to take action to address any commercial risks that it might highlight.

The Programme recommends that the report highlighted in the Change Request describes the areas for assessment, but also **sets out the scope, approach and plan for the next body of work** so that when another Change Request is raised to undertake the analysis (as suggested in CR013), the activities and cost of that work is well understood. The proposed report should look like a Project Brief, owned by the Programme. This would likely cover:

- Overall objective
- Requirements (across stakeholder groups) and desired outcomes
- Assessment and proposal for Scope
 - Assessment of all areas of the balancing and settlement regime
 - Proposal for the scope of areas for detailed assessment
 - Definition of outcomes for assessment
- Defined methodology, including Modelling approach
- Products to be delivered (e.g. models, data generators)
- Input Data required and source of input data
- Activities to support desired outcomes
- Cost (PMO and Chair support, bilateral meetings and high-level analysis)
- Risks, issues and dependencies
- Given the response from participants, the Working Group will consider including DUoS billing into the scope of the exercise

We also recommend that the output from the work under CR013 delivers the draft of the subsequent Change Request/issues group that will undertake the analysis itself.

Suggested Plan to deliver Change Request

Mobilise a **Level 4 Working Group every 3 weeks to develop this content over a period of 3 months**, so 4 months elapsed in all with mobilisation and reporting

- 1st meeting – ToR and output
- 2nd meeting – scope of analysis
- 3rd meeting – analyse areas
- 4th meeting – review and agree report & draft CR to go to PSG for approval

Resource to deliver Change Request

- We expect that Programme Participants as **Working Group members** will take work away to contribute to the outcomes of this Change Request (particularly in areas that they have specific expertise)
- SRO team Chair at 0.15 FTE
- PMO support at 0.2 FTE to support the Working Group
- LDP CPT support at 0.15 FTE
- Market Analyst at 1 FTE to own the drafting and delivery of the Report & CR
- There is no modelling/software costs to be included in this first scoping exercise
- All expertise provided by industry (including Elexon BSCCo) is provided by those parties and not recharged to the Programme (in accordance with their BSC obligations to support the Programme)

Our Rough Order of Magnitude (ROM) for cost is £98,400 This is based on resources from above. There is an assumption that there is no modelling/software costs to be included.

Given the comments from Programme Participants, we request industry propose suitable resources to the Programme to undertake or support the market analysis work.

Scheduling considerations

The Programme agrees with the Change Request that this work should not impact the critical path of the programme and therefore should not have a material impact on the Programme schedule, but this is **dependent on the resource deployed to the work**. If the resource deployed to the work would otherwise have been working on Programme critical activity, then this will have an impact, therefore it the proposal should be to use non-critical or new Programme resources. This may be a particular risk for Programme Market Analyst resource.

In thinking of the timeline for the completion of this work, we expect that the subsequent analysis from the next Change Request/issues group will need to be **delivered 3 months in advance of migration**, to give time to suppliers and industry to consider their trading and forecasting positions.

Start date of exercise is dependant on availability of resources to deliver the Change Request and the above request is intended to mitigate resourcing risks.

CR013 Impacts – Views on the proposed approach (Page 1)

| Programme Parties | Range of respondents' views on benefits and concerns (related to the approach in CR013) |
|-------------------------|--|
| Large Suppliers | <ul style="list-style-type: none"> + Respondents unanimously supported the overall recommendation to approve the change + The assessment and any subsequent actions required to mitigate the risks of MHHS processes should be progressed in parallel with the design and delivery of the Programme and as such should not impact timelines – The scoping exercise and the work required to understand settlement impact should be combined under one Change Request, eliminating unnecessary delay and cost – Uncertainty relating to Programme Participant's cost obligations to support the exercise, such as meeting attendance and responding to requests for information – Greater clarity required regarding delivery timescales and expected outputs |
| Medium Suppliers | <ul style="list-style-type: none"> + Respondents unanimously supported the overall recommendation to approve the change + Supportive of additional work to be undertaken by the Programme to better understand the interactions and impacts on settlement processes + CR013 will in turn aid our ability to plan any changes to our internal processes, systems etc. |
| Small Suppliers | <ul style="list-style-type: none"> + The one respondent supported the overall recommendation to approve the change |
| I&C | <ul style="list-style-type: none"> + Respondents unanimously supported the overall recommendation to approve the change – Several respondents stated the change request does not adequately indicate the resource effort, cost impact and timescales of delivering this work |
| DNOs | <ul style="list-style-type: none"> + Respondents unanimously supported the overall recommendation to approve the change + Comparatively little work has been done as to what the impact will be on settlement from the move from majority estimated to majority actual consumption + The magnitude of the change to settlement that will occur as sites migrate is poorly understood – Several respondents stated there is an additional requirement to consider the impact to DUoS billing – the Programme should consider an addition step in the migration plan for MHHS PMO to provide assurances and confidence to LDSO's that we will be able to continue to accurately and timely bill Suppliers for DUoS – A further assessment would be to obtain a clearer understanding of the impact on energy volume volatility as NHH customers move to HH settlement |

CR013 Impacts – Views on the proposed approach (Page 2)

| Programme Parties | Range of respondents' views on benefits and concerns (related to the approach in CR013) |
|-------------------|---|
| iDNOs | <ul style="list-style-type: none"> ▪ Did not respond to Impact Assessment |
| Agents | <ul style="list-style-type: none"> – Ofgem has initiated the MHHS SCR and any review may re-open previous decisions – The exercise proposed in CR013 would be delivered by a relevant Code Body rather than the Programme – Impacts should be considered in the context of the purpose of the SCR which is to allocate energy (and network charges) more accurately (day and time of day) to Suppliers and their customers – The resource necessary to consider these impacts will be redirected from critical design and code drafting activity – The change could result in uncertainty over the Programme resulting in certain market participants failing to engage, and late or poor programme delivery |
| S/W Providers | <ul style="list-style-type: none"> ▪ Did not respond to Impact Assessment |
| REC Code Manager | <ul style="list-style-type: none"> + Fully supportive of the proposal and would represent best practice in a large-scale transformation of this type + Supports the Programme objective “to prove and provide a model for future such industry-led change programmes”, by taking a proactive approach to identify and mitigate risks associated with the early operation of the new arrangements + The outputs of this work should be made available on an enduring basis, beyond the life of the Programme (i.e. on an enduring basis by the BSC Code Manager) |
| National Grid | <ul style="list-style-type: none"> + Support the Change Request and subsequent work carried out by the MHHS Programme to understand any commercial impacts that could affect its participants + Exercise should consider effect on end consumers + A distinct Working Group should be mobilised to respond to outcomes of the exercise; this will ensure the Programme and Programme Participants work in conjunction to manage solutions before implementation and go-live |

CR013 Impacts – Views on the proposed approach (Page 3)

| Programme Parties | Range of respondents' views on benefits and concerns (related to the approach in CR013) |
|---------------------------|--|
| Consumer | <ul style="list-style-type: none"> ▪ Did not respond to Impact Assessment |
| Elexon (Helix) | <ul style="list-style-type: none"> + Agree that understanding and reviewing the impact of MHHS on areas of settlement would benefit the wider MHHS Programme + Useful for an investigation to be done under MHHSP governance, on the impacts on settlement processes and calculations, caused by the usage of more accurate data and implementation of MHHS processes – While there should not be a material impact on the programme timeline, there is a risk that the undertaking of this work takes programme resource from other areas resulting in pressure on milestone completion |
| DCC | <ul style="list-style-type: none"> ▪ No impact to DCC from the proposed work to undertake an assessment of SVA consumption processes in moving to a full HH settlements model |
| SRO / IM & LDP | <ul style="list-style-type: none"> + The Programme agrees that the benefits of this Change Request in mitigating the risk of serious market impact of MHHS changes outweighs the potential costs + Completing this Change Request is a reasonable staging post in completing a feasibility study to consider the much larger costs of completing the analysis work itself + Delivering this change should establish an evidence base to consider progressing the settlement analysis itself – Programme Participants must provide the necessary SMEs with the requisite time to contribute to the development of this work |
| IPA | <ul style="list-style-type: none"> ▪ Comfortable that the change is not expected to have an impact on their activities and has no specific objections to the Change Request |