DCUSA

DCUSA Change Declaration

At what stage is this document in the process?

- 01 – Change Proposal
- 02 – Consultation
- 03 – Change Report
- **04 – Change Declaration**

DCP 393:

Market-wide Half-Hourly Settlement (MHHS) Implementation and Governance Arrangements

Date Raised: 13/08/2021

Proposer Name: Rachel Clark

Company Name: Ofgem

Party Category: N/A

Purpose of Change Proposal:

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.

DCUSA Parties have voted on DCUSA Change Proposal (DCP) 393 with the outcome being a recommendation to the Authority as to whether or not the Change Proposal (CP) should be accepted. As DCP 393 is considered to be a Part 1 Matter, the recommendation will be issued to the Authority for their final decision.

The DCUSA Parties consolidated votes are provided as Attachment 2.

For DCP 393, DCUSA Parties recommend to the Authority to:

- **Accept the proposed variation (solution); and**
- **Accept the implementation date.**

Impacted Clauses:

7.42 (New Clause to be added to Section 1B)

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DCUSA

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Panel review of Change Proposal	18 August 2021
Change Report issued to Panel	25 August 2021
Change Report Approved by Panel (ex-committee)	26 August 2021
Change Report issued for Voting	01 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
Implementation	15 October 2021

Any questions?

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1 Executive 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. Ofgem 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. The Proposer estimates that it will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045.

1.5 Ofgem have published their decision to proceed with MHHS alongside the Full Business Case and Final Impact Assessment (April 2021) and have also set out their expectation for the transition to full MHHS implementation to be completed by October 2025. In their decision, Ofgem 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.

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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 Matter

2.1 This is an Authority-led Change Proposal and as such, it is deemed to be a Part 1 Matter.

Next Steps

2.2 DCUSA Parties have voted and the outcome of the Party vote acts as a recommendation to the Authority as to whether or not this CP should be accepted. Parties recommend that DCP 393 should be accepted and therefore, that the change should be made.

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. Ofgem published their 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 Ofgem's 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 Ofgem estimate that MHHS will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045 and believe that MHHS will play a strategic role in supporting the transition to a net zero carbon electricity system. It will also deliver expected but unquantifiable benefits, notably increased competition amongst retailers and innovation in new products and services.

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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. Ofgem's proposed modification to the BSC sets out a detailed framework for them to oversee the changes. In their MHHS decision, Ofgem 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

4.1 It is proposed to add a new Clause 7.42 to the main body of the DCUSA that places an obligation on DCUSA Limited to comply with the new operating procedures and governance arrangements that will be introduced into the BSC via BSC Modification Proposal P423. The introduction of the new Clause 7.42, which has been set out below, will help to ensure that the MHHS arrangements are implemented successfully:

"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."

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)

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6 Relevant Objectives

Assessment Against the DCUSA Objectives

6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.

6.2 The Proposer considers that the following DCUSA General Objectives are better facilitated by DCP 393.

	DCUSA General Objectives	Identified impact
☑	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive
☑	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
☐	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Neutral
☑	4. The promotion of efficiency in the implementation and administration of the DCUSA	Positive
☐	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

6.3 The Proposer believes that DCP 393 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.

6.4 The Proposer believes that DCP 393 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.

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6.5 The Proposer believes that DCP 393 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.

6.6 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. Ofgem published their 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 Ofgem's 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 Ofgem estimates that MHHS will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045) and believe that MHHS will play a strategic role in supporting the transition to a net zero carbon electricity system. The Proposer believes that it will also deliver some expected but unquantifiable benefits, notably increased competition amongst retailers and innovation in new products and services.

Impacts on any Significant Code Review (SCR) or other significant industry change projects

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

Impacts on Other Codes

BSC……...	☒	MRA……	☐	Distrbution Code..	☐
CUSC……	☒	SEC……	☒	None…….	☐
Grid Code…….	☐	REC…….	☒		

7.5 In parallel to this modification, Ofgem 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. Ofgem are progressing code modification proposals for the other codes in due course.

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Consumer Impacts

7.6 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.

Environmental Impacts

7.7 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 393 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

8 Implementation

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 Ofgem's decision may be delayed, which would mean an equivalent delay to the implementation date. As a contingency, it is proposed that if Ofgem have not been able to make a decision by 08 October 2021, that implementation would be set for 5 working days following Ofgem approval or as so directed in their decision letter.

9 Legal Text

Legal Text

9.1 Attachment 1 contains the proposed legal text for DCP 393, which has been recommended by the Proposer, reviewed by the DCUSA legal advisor. As set out in Section 4 above, the proposed legal drafting covers the insertion of a new Clause 7.42.

Text Commentary

9.2 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.

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10 Voting

10.1 The 393 Change Report was issued to DCUSA Parties for Voting on 01 September 2021.

Part 1 Matter: Authority Decision is Required

10.2 ***Change Solution – Accept.***

10.3 For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%. In accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the change solution be Accepted.

10.4 ***Implementation Date – Accept.***

10.5 For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 50%. In accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the implementation date be Accepted.

The table below sets out the outcome of the votes that were received in respect of the DCP 393 Change Report that was issued on 01 September 2021 for a period of 14 working days.

DCP 393	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	CVA REGISTRANT	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	Accept	None Received	None Received
IMPLEMENTATION DATE	Accept	Accept	Accept	None Received	None Received

11 Recommendations

DCUSA Parties Recommendation

11.1 DCUSA Parties have voted on DCP 393 and in accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the Change Proposal be Accepted.

12 Attachments

- Attachment 1 – DCP 393 Legal Text
- Attachment 2 – DCP 393 Consolidated Party Votes
- Attachment 3 – DCP 393 Change Proposal Form

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