




DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 445:</h1> <h2>Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements</h2> <p><b>Date Raised:</b> 4 September 2024</p> <p><b>Proposer Name:</b> Jenny Boothe</p> <p><b>Company Name:</b> Ofgem (the Authority)</p> <p><b>Party Category:</b> N/A</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p><b>Purpose of Change Proposal:</b></p> <p>This Change Proposal will ensure that the appropriate obligations, processes and provisions for the new MHHS arrangements, which have been developed and consulted on as part of the MHHS Programme, are introduced into the DCUSA.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> <li>• Treated as a Part 1 Matter;</li> <li>• Treated as an Authority-Led SCR Change Proposal; and</li> <li>• Progressed to the Change Report phase.</li> </ul> <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>	
	<p><b>Impacted Parties:</b></p> <p>Suppliers/DNOs/IDNOs</p>	
	<p><b>Impacted Clauses:</b></p> <p>Multiple clauses and schedules. They are identified within the attached legal drafting included as part of this Change Proposal.</p>	

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Any questions?

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## Indicative Timeline

**The Secretariat recommends the following timetable:**

Initial Assessment Report	18 September 2024
Change Report Approved by Panel	16 October 2024
Change Report issued for Voting	17 October 2024
Party Voting Closes	7 November 2024
Change Declaration Issued to Parties	8 November 2024
Change Declaration Issued to Authority	8 November 2024
Authority Decision	11 December 2024

## 1 Summary

### What?

- 1.1 The MHHS Programme, in conjunction with the code bodies, have developed and consulted on, the changes to deliver MHHS. This Change Proposal progresses those changes impacting DCUSA.

### Why?

- 1.2 The existing electricity settlement processes are set out in the Balancing and Settlement Code (BSC). Supporting processes and information are set out in other codes, such as the Retail Energy Code (REC), the Smart Energy Code (SEC), the Distribution Connection and Use of System Agreement (DCUSA) and the Connection and Use of System Code (CUSC).
- 1.3 The Implementation of Market-wide Half Hourly Settlement (MHHS) is being delivered through Ofgem's Electricity Settlement Reform Significant Code Review (SCR). In 2021, Ofgem estimated quantified net benefits for consumers of up to £4.5bn by 2045 as a result of introducing MHHS. Implementation of the MHHS arrangements will impact several different Industry Codes and the parties to those Codes.
- 1.4 This Change Proposal has been raised by Ofgem pursuant to the Electricity Settlement Reform SCR. The Change Proposal will introduce the changes to the DCUSA that are necessary to implement the MHHS arrangements.

### How?

- 1.5 The MHHS Programme has worked with the code body and stakeholders to develop the drafting of the changes to the DCUSA. There has been extensive consultation through the Code Development Working Group (CDWG) reporting to the Cross-Code Advisory Group (CCAG). Ofgem considers that this Change Proposal will ensure that the appropriate obligations, processes and provisions are defined within the DCUSA, enabling a successful transition to enduring governance and operational arrangements.

## 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 an 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 SCR has considered the benefits that a successful introduction of MHHS would bring to the energy market. Ofgem 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 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 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, including to the industry codes.

### 4 Solution and Legal Text

#### **Solution Overview**

- 4.1 The MHHS Programme has developed the MHHS design and business requirements together with code body solution to any consequential impacts on each code. The code drafting for the impacted DCUSA products has been developed and extensively consulted on as part of the MHHS Programme resulting in this change proposal and modification/change proposals to other codes.
- 4.2 The following points relate to the approach taken to the code drafting:
  - code drafting was progressed by a separate workstream under the MHHS Programme, the CCAG;
  - in developing the DCUSA Code Drafting, DCUSA Ltd has worked closely with Elexon, the Programme and other Code Bodies;
  - this activity has translated the agreed MHHS Programme Design Artefacts, updated from time to time and available on the MHHS Programme website ([www.mhhsprogramme.co.uk](http://www.mhhsprogramme.co.uk)), into Code requirements;
  - it has included drafting to reflect consequential change solutions developed from MHHS Change Proposals, for impacts not initially specified in the MHHS Design (e.g. DCP415 and DCP416);
  - the developed code was developed prior any of the consultations by the DCUSA MHHS Stakeholder Group specifically set up to support the MHHS Programme;

- DCUSA code drafting was developed from early 2023 to early 2024, covering the Transition and “MOP Up” Tranche. Each tranche was published for consultation, then updated and reviewed by CDWG, before being approved by CCAG. THE CDWG being a sub group to the CCAG;
- as a last step, all of the proposed changes to the REC (as well as the BSC and DCUSA) were issued for an industry consistency consultation in June 2024 and then updated for finalisation which included review by CDWG and approval by CCAG in Aug 2024; and
- all of the proposed MHHS changes have been reviewed against the latest approved DCUSA updated as necessary so that the legal text retains its intent against the updated baseline.

4.3 Ofgem’s letter, dated 4 September 2024, sets out the timetable for the Change Proposal, with implementation in line with the **MHHS Programme milestone, M8 ‘Code changes delivered’**.

## Legal Text Amendments

4.4 The legal text amendments were drafted and consulted on by the MHHS Programme under the governance of the CDWG and CCAG, and were reviewed by Ofgem, before being baselined in accordance with the M6 Milestone on 21 August 2024. MHHS Programme published the baselined changes on its website on 23 August 2024. We attach a link to the proposed legal text below.<sup>1</sup>

## Legal Text Commentary

4.5 The DCUSA changes cover both housekeeping and consequential changes to ensure that the use the DCUSA processes support the new MHHS arrangements.

## 5 Code Specific Matters

### Reference Documents

5.1 The Ofgem decision and business case on the Electricity Retail Market-wide Half-Hourly settlement is provided via a link within this document.

## 6 Relevant Objectives

	DCUSA General Objectives	Identified impact
<input checked="" type="checkbox"/>	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"/>	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

<sup>1</sup> [Finalisation of Code Artefacts - MHHS Programme.](#)

<input type="checkbox"/>	The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Neutral
<input checked="" type="checkbox"/>	The promotion of efficiency in the implementation and administration of the DCUSA	Positive
<input type="checkbox"/>	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 change proposal provides the framework within DCUSA, alongside the changes to other affected industry codes for MHHS to be successfully implemented.
- 6.2 This Change Proposal would, if implemented, better facilitate DCUSA General Objective (2). This is because the CP contributes to the successful implementation of MHHS, which in turn 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 change proposal provides the framework within DCUSA, alongside the changes to other affected industry codes for MHHS to be successfully implemented.
- 6.3 This Change Proposal would, if implemented, better facilitate DCUSA General Objective (4) by ensuring that the DCUSA aligns with the changes made to other codes associated with the MHHS Programme. Failure to ensure this would create risks for the successful delivery of Ofgem's MHHS Programme as well as adverse impacts for DCUSA Parties, who would be unable to use the DCUSA processes needed to support the new MHHS arrangements. This in turn would create adverse effects for consumers.

## 7 Impacts & Other Considerations

- 7.1 The Electricity Settlement Reform 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 a cost-effective transition to a net zero carbon 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's Final IA estimated quantified net benefits to GB energy consumers of £1.6bn to £4.5bn over the period 2021-45. The Final IA also noted that implementing MHHS (including third party access to HH consumption data) will also deliver benefits that we expect to see but cannot quantify, notably increased competition amongst retailers and innovation in new products and services.
- 7.4 As part of the Final IA, Ofgem sought to estimate the costs of implementing and operating under the new MHHS arrangements. Our central cost estimate was £541.3m over the period 2021-2045. Earlier this year, to facilitate an assessment of the impact of the MHHS-related code modifications, Ofgem asked MHHS Programme to seek information on a voluntary basis from Programme Participants about the costs of implementing and operating under the new MHHS arrangements. On 24 May 2024, MHHS Programme issued a Programme Participant Information Request (PPIR). The deadline for responses was 5 July 2024. There were 16 responses, mainly from suppliers and network businesses. We thank all those organisations that responded. We have reviewed the responses and also taken into consideration Elexon's included and planned Programme Management costs, all of which are recovered from suppliers.
- 7.5 The responses effectively represented a small 'sample' of the industry. Extrapolating from those responses to estimate costs for the whole market is very difficult and risks not being statistically valid. However, based on the limited data we received, it appears that the costs to the network businesses of implementing and operating under MHHS are significantly greater than previously estimated. Network costs, though, are only a small proportion of the total costs of implementing MHHS. In addition, costs to suppliers - which represent a much larger proportion of total implementation costs - do not seem to have changed significantly. After taking actual and potential increases into account, total implementation costs still appear to remain an order of magnitude lower than the quantified benefits that we estimated would result from introducing MHHS (to which the benefits we could not quantify would be added). Ofgem therefore remains of the view that MHHS can be expected to deliver significant net benefits to energy consumers in Britain.

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

- 7.6 This Authority-led Change Proposal is raised pursuant to Ofgem's Electricity Settlement Reform SCR.

## Impacts Other Codes?

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

- 7.7 In parallel to this change proposal, we are separately using our SCR powers to progress modifications to the BSC and the REC.
- 7.8 Progression of this Change Proposal does not restrict Ofgem's ability to deliver further changes via additional Change Proposals under the same SCR.

## Consumer Impacts

7.9 This change proposal is being progressed as part of Ofgem's Electricity Settlement Reform SCR. 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

7.10 In accordance with DCUSA Clause 10.4.5A, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented. This CP contributes to the implementation of MHHS. Ofgem considers that implementing MHHS will lead to substantial carbon emission savings. For the detail of our assessment, see pages 82-86 of our Final Impact Assessment.<sup>2</sup>

## Confidentiality

7.11 N/A.

# 8 Implementation

## Proposed Implementation Date

8.1 The Implementation Date for this Change Proposal will be the date determined by the Authority in line with the **MHHS Programme milestone, M8 'Code changes delivered'**.

# 9 Recommendations

9.1 The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.

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<sup>2</sup> [Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case | Ofgem.](#)