ofgem
Making a positive difference
for energy consumers

Report

Update: Electricity Settlement Reform Significant Code Review (SCR). Authority-led code modification proposal on the development of the Event Driven Architecture for the MHHS Target Operating Model

Publication date:	5 April 2022	**Contact:**	Rachel Clark, Deputy Director Retail
		Team:	Retail Directorate
		Tel:	020 7901 7371
		Email:	halfhourlysettlement@ofgem.gov.uk

This update confirms that the Gas and Electricity Markets Authority (the Authority)[1] is today commencing an Authority-led proposal to modify the Balancing and Settlement Code (BSC) pursuant to the Authority's Electricity Settlement Reform SCR.

The BSC code modification is required to enable the Balancing and Settlement Code Company (BSCCo) to engage in activities relating to the development of an Event Driven Architecture (EDA) for the Market-wide Half-hourly Settlement Target Operating Model (MHHS TOM). Should the Authority decide to approve the code modification proposal, it will be for BSCCo to implement it in a manner that promotes the efficient and timely implementation of MHHS. The proposed modification is concerned only with the development of the EDA and not with its ongoing operation. It is therefore required regardless of which party is made responsible for the ongoing governance, funding and operation of the EDA.

[1] The terms "the Authority", "we" and "us" are used interchangeably in this document.

Background

We launched our Electricity Settlement Reform Significant Code Review (SCR) in July 2017.[2] The purpose of this SCR is to develop and then (subject to an Impact Assessment) implement an enduring process to enable market-wide half-hourly settlement of domestic and smaller non-domestic consumers' electricity usage. We published our Full Business Case, Impact Assessment and decision to proceed with MHHS in April 2021.[3]

In July 2021, Ofgem published a preliminary decision[4] in support of the Architecture Working Group's (AWG) recommendation[5] that industry develop an EDA to enable the MHHS TOM, subject to further information supporting this conclusion. We then received and evaluated new information on the costs of building and operating such a system, including the relative costs of partly or fully replacing ElectraLink's Data Transfer Network (DTN), the interaction between different communication systems and the EDA, and the security aspects of any new system. We also considered the potential for future innovation and wider developments on data handling in the energy sector. Taking all this into account, Ofgem decided that, as recommended by the AWG, the industry should develop a hybrid architecture comprising the DTN with minor modifications and a new EDA platform to meet the requirements of the MHHS TOM.[6]

On 20 January 2022, the Authority published a consultation[7] on which party should be responsible for the ongoing governance, operation and funding of the new EDA platform. We held a stakeholder event on 3 February 2022 as part of the consultation process and, after considering industry feedback, expect to publish our decision later in April. In parallel, MHHS Programme has been moving forward with the definition and sourcing of the EDA. To facilitate this, the Authority will shortly propose changes to the BSC to enable BSCCo to undertake activities relating to the development of the EDA. Should the Authority decide to approve the code modification proposal, it would have to be implemented in a manner that promotes the efficient and timely implementation of MHHS.

[2] See Ofgem's Electricity Settlement Reform SCR Launch Statement, July 2017.
[3] See Ofgem's MHHS Decision, Full Business Case and Final Impact Assessment, April 2021.
[4] Ofgem's Preliminary decision on the AWG TOM recommendation reference architecture, July 2021.
[5] The AWG's recommended architecture is based on 'business events' such as new meter readings or a change in registration (hence 'event driven architecture' or EDA).
[6] See Decision on the reference architecture of the MHHS Target Operating Model, December 2021.
[7] See Consultation on the governance, funding and operation of an MHHS Event Driven Architecture, January 2022.

Authority-led SCR Modification Proposal: purpose, development and next steps

The modification enables the MHHS Implementation Manager to develop the systems and processes that may be necessary to implement the MHHS EDA, which will be known as the Data Integration Platform (DIP). The proposed modification is concerned only with the development of the DIP and not with its ongoing operation.

Ofgem's 2016 Code Governance Review (phase 3) created three pathways for SCRs with increasing levels of Ofgem involvement in the industry code modification process.[8] In our launch statement for the Electricity Settlement Reform SCR, we said that we would take pathway three in which Ofgem leads an end-to-end process to develop code modifications where we consider those to be required to deliver the outcomes of the SCR.

We have been working with colleagues at Elexon to coordinate panel procedures and consider an Authority Led SCR Modification Proposal in line with the following timetable:

Activity	**Date**
Authority submits Authority-led modification proposal	5 April
First panel meeting	14 April
Consultation period	19 April – 3 May
Second panel meeting	12 May
Final Modification Report submitted to Authority	16 May
Authority decision (target)	7 June
Inplementation date	5 working days after decision

In line with the above timetable, we will separately submit to the BSC Panel our Authority Led SCR Modification Proposal, along with instructions about the timetable for completing certain procedural steps, and the proposed implementation date. As noted above, should the Authority decide to approve it, the modification must be implemented in a manner that facilitates the efficient and timely implementation of MHHS by October 2025.

[8] See Ofgem's Code Governance Review (phase 3) final proposals, March 2016. The three pathways are:
1: Ofgem directs licensee(s) to raise modification proposal(s), which then follow the standard industry modification processes;
2: Ofgem raises modification proposal(s), which then follow the standard industry modification processes; and
3: Ofgem leads an end-to-end process to develop code modification(s).

The MHHS programme will likely require a number of sets of code modifications in the coming years. As the transition progresses, we intend to make further modifications under this SCR and/or pursuant to our powers under the Smart Meters Act 2018. 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.

We would like to thank Elexon for its support in developing the legal text for this Authority-led modification proposal. The proposal will be published on the BSC website in accordance with its own procedures.

If you have any questions or comments on this document, please contact HalfHourlySettlement@ofgem.gov.uk.