

Decision on Change Request CR009 for Market-Wide Half-Hourly Settlement

Subject	Details
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Contact	Rachel Clark, Deputy Director Retail
Team:	Retail Directorate
Telephone	020 7901 7371
Email:	halfhourlysettlement@ofgem.gov.uk

On 11 August 2022, Ofgem received a recommendation from the Market-Wide Half-Hourly Settlement (MHHS) Senior Responsible Owner (SRO) to approve Change Request CR009. This Change Request proposed to change the Milestone M5 (baselining of the MHHS detailed design) and Milestone M3 (Programme Participant¹ readiness for starting the design and build phase) delivery dates to 31 October 2022.

We have considered the SRO's recommendation and the information provided by parties about the impact of CR009. We have also considered the view of the Independent Programme Assurance provider. Ofgem has decided to approve CR009. This decision document sets out the background and the reasons for our decision.

We expect that, as set out in the Balancing and Settlement Code, all MHHS Programme Participants will ensure that they can operate in accordance with the MHHS Implementation Timetable, as baselined at any point in time, and so ensure timely implementation of MHHS.

¹ Other than Elexon Central Systems (Helix) and DCC.

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Executive summary

Issue

The Transition Timetable for MHHS includes Level 1 milestone 'M5 – Physical design baseline delivered', which was due for completion on 29 July 2022. The Transition Timetable also includes milestone 'M3 – Design and Build Start', which for all Programme Participants except Elexon Central Systems and DCC was due for completion in May 2022.

Delivery of the baseline MHHS design (the M5 milestone) is taking longer than originally planned, as some initial planning assumptions have proven to be inaccurate. The July 2022 date has passed, so it must be reset to a realistic date in the future. In addition, the mobilisation of some Participants to reach readiness to start their own design and build activities (the M3 milestone) has been slower than the Ofgem timetable originally set out. For Participants other than Elexon Central Systems (Helix) and DCC, this date was set as May 2022. This date has also passed, so a realistic future date must be set.

There is an underlying issue that the MHHS programme does not yet have an end-to-end delivery plan that validates the original Ofgem timetable and provides an adequate reference point for the consistent management of delivery, risk, change and stakeholder expectations. Reaching that point will be important for setting the right context for making decisions about passing M5 and M3 milestones.

Proposal

On 7 July 2022, the MHHS Programme (MHHSP) proposed Change Request (CR) CR009. This proposes a revised plan to deliver the MHHS Design and baseline it at Milestone M5 – with a changed date for M5 of 31 October 2022, by which time the Design Advisory Group (DAG) will have been asked to approve that milestone.

CR009 also proposes that, whilst many Programme Participants may have already begun design and build activities (or will have started them soon), all Programme Participants - other than Elexon's Central System (Helix) and DCC - should demonstrate readiness for starting their design and build activities by or before 31 October 2022 (Milestone M3).

This change request asks to move a Level 1 milestone (M5 - Physical Design Baseline Delivered) by 3 months or more, thus meeting the requirement for escalation to Ofgem.

Impact

At the Programme Steering Group on 10 August 2022, the Programme presented the summary report of the outputs of the CR009 Impact Assessment (IA). The majority of respondents supported the change. Those supporting the change agreed that it was more likely to deliver a robust baselined design, with benefits such as improved programme efficiency, increased likelihood of delivering later milestones and improved delivery of benefits to consumers. They also considered that Programme Participants would be more likely to have sufficient engagement with the design ahead of M5, including those only just beginning to engage with the design, and would be better able to mobilise against the pre- and post-M3 requirements.

The report included the Programme's response to risks and concerns raised via the IA. For example, respondents sought a third re-plan consultation after M5 to allow Participants to input into the programme plan once they have digested the design. MHHSP has therefore included a third round of consultation on the replan commencing on 31 October. Also, in response to concern at the potential for as yet unknown consequential changes that impact the programme plan, MHHSP has indicated that the Consequential Change Impact Assessment Group will step up its work as a forum to consider consequential changes.

SRO Recommendation

On 10 August 2022, the PSG decided to recommend that the Change Request is approved by Ofgem. The MHHS SRO subsequently recommended that Ofgem approve CR009.

Sponsor Decision

We have considered the SRO's recommendation and the supporting paperwork. We have also considered advice from the IPA, who supported approval of CR009.

We accept the SRO recommendation to approve CR009.

Next Steps

MHHSP should re-issue the new baselined Implementation Timetable in accordance with this decision and ensure that all MHHS Participants are aware of the change.

1. Introduction

Context

- 1.1. Ofgem is committed to paving the way for the energy sector to decarbonise.² We need to make sure this happens at the lowest cost to consumers. Market-wide half-hourly settlement (MHHS) will ensure that electricity suppliers and other retailers face the true costs of serving their customers, incentivising the development of new tariffs and services.
- 1.2. MHHS is a key building block for our Decarbonisation Action Plan and the Ofgem/BEIS Smart Systems and Flexibility Plan.³ With other reforms, such as those to the access and charging arrangements, and network tendering for flexibility services, MHHS will enable system-wide benefits by incentivising more efficient use of existing and future electricity infrastructure. This will, for example, help integrate intermittent renewable generation and reduce the need for expensive new investment. We estimate that MHHS will save consumers £1.6 billion to £4.5 billion by 2045.⁴

Issue

- 1.3. On 20 April 2021 Ofgem published our MHHS Decision, Full Business Case and Final Impact Assessment.⁵ As part of the Decision we also published a Transition Timeline⁶ for MHHS. The timeline set a number of 'Level 1' milestones for the Programme. Changes to Level 1 milestones of 3 months or more can only be made with the approval of Ofgem as Programme Sponsor.
- 1.4. The Transition Timetable for MHHS includes Level 1 milestone 'M5 – Physical design baseline delivered'. In Ofgem's MHHS Decision, the M5 deadline was April 2022. Change Request CR001 reset the M5 deadline to 29 July 2022. The Transition Timetable also includes milestone 'M3 – Design and Build Start', which for all

² See Ofgem's [Decarbonisation Programme Action Plan](#), February 2020. The plan sets out the initial actions required on the journey towards achieving net zero by 2050.

³ See [Transitioning to a net zero energy system - Smart Systems and Flexibility Plan](#), July 2021.

⁴ See Ofgem's [MHHS Final Impact Assessment](#), April 2021.

⁵ Ofgem, [MHHS Decision, Full Business Case and Final Impact Assessment](#), April 2021.

⁶ Renamed in the BSC as the Implementation Timetable. We use this term in the remainder of this document.

Programme Participants except Elexon Central Systems and DCC was due for completion in May 2022.

M5 milestone

- 1.5. Delivery of the baseline MHHS design (the M5 milestone) has taken longer than originally planned because some initial planning assumptions as evidenced through Tranche 1 and Tranche 2 activities have proven to be inaccurate. MHHS reported in particular that
- processing the high volume of industry comments, dealing with feedback around the Design process and the consequent implementation of additional controls had taken significant effort from the Design team and had reduced its capacity to produce ongoing and future tranche documents to the requisite quality
 - additional (unexpected) complexity had been encountered during the Design work, which had led to additional unplanned design activity
 - aiming for consensus among the Participants had proven to be more complex and time consuming than expected. This had resulted in more sub-Working Groups than planned and had impacted artefact development
 - Participants had challenged the Design baselining approach of seeking conditional approval. Though a staggered approach could have helped flush out concerns early on and allowed subsequent artefacts to proceed on a foundation of relative stability, there was a need to communicate more effectively the route to final baselining and how the incremental approvals work.
- 1.6. As a result of these challenges, MHHS concluded that it was not possible to deliver the M5 milestone by 29 July 2022 and that the M5 milestone must be reset to a realistic date in the future.

M3 milestone

- 1.7. The mobilisation of some Participants to reach readiness to start their own design and build activities (the M3 milestone) has been slower than the Ofgem timetable originally set out. For Participants other than Elexon Central Systems (Helix) and DCC, this date was set as May 2022.
- 1.8. The reasons for the slower pace of some Participants in reaching readiness for DBT have been variously stated by those Participants as including:

- attention and focus on the lead-in towards and past the go-live of the Faster Switching Programme
- disruption in the energy market – including the need to support consumers and manage Supply of Last Resort activities
- contention between MHHS and other energy change programmes and Ofgem initiatives
- uncertainty in relation to the MHHS programme's plan to reach the Design baseline (M5), and delays to that milestone.

1.9. Given that the May 2022 deadline for the M3 milestone has passed, a new and realistic future date must be set.

The proposal and the development process

M5 milestone

- 1.10. Change Request CR009 included a revised plan to deliver the MHHS Design and baseline it at Milestone M5 – with a changed date for M5 of 31 October 2022, by which time the Design Advisory Group (DAG) will have been asked to approve that milestone. According to MHHS, the revised plan took into consideration all the issues mentioned above and included contingency (including allowance for the summer holiday period). It was communicated to the DAG and the PSG on 8 June 2022.
- 1.11. MHHS summarised the revised plan in the Change Request. Under the new plan,
- the Tranche 4 Artefacts, along with any updated Artefacts from earlier tranches, would all be issued for review during July 2022 (target) or August 2022⁷
 - the period for industry feedback would start in September 2022
 - the baseline design would be approved at DAG in October (milestone M5) and
 - the PSG would be informed of the M5 decision on 2 November 2022.
- 1.12. In the Change Request, MHHS noted that the 'transition design' will not be defined and agreed at the same time as the 'core design' (M5). MHHS stated that it is better to de-link Transition Design to enable the consumption of the 'To Be' design before commencing the design of how to migrate from 'As Is', and to allow time for

⁷ As at 25 August 2022, all the Tranche 4 design artefacts had been issued except for the Physical Interface Specification.

completion of discussions relating to the migration approach. MHHSP said the expectation is to deliver the Transition Design by the end of the year and noted that a plan will be produced for this in due course.

- 1.13. MHHSP added that, on the basis of the currently-assumed Code Change Development Group approach to migration and go-live, it did not expect this to have any material impact on the core design after M5. MHHSP also acknowledged that the transition design might influence the *sequencing* of code drafting work but said there was no evidence that it would impact the *volume* of code drafting work to be carried out after M5.

M3 milestone

- 1.14. CR009 also proposes that, whilst many Programme Participants may have already begun design and build activities (or will have started them soon), all Programme Participants - other than Elexon's Central System (Helix) and DCC - should demonstrate readiness for starting their design and build activities by or before 31 October 2022 (Milestone M3).
- 1.15. The Change Request included a minimum set of conditions that must be met by all Programme Participants in order for M3 to be reached and approved. The conditions, which would form part of the entry criteria for the Design and Build phase, are that
- a high-level project plan must be put in place, which provides sufficient detail (including resource plans) for the next stage of the Participant's delivery activities and outlines (possibly at a higher level) subsequent delivery stages to the end of the project. This project plan should be aligned to MHHSP's revised and proposed programme plan
 - an outline Business Case or other funding instrument must be put in place, approved (or in the process of being approved) by an appropriate investment committee, which provides for the necessary funding of the next stage(s) of the Participant's delivery plan according to the Participant's delivery methodology
 - relevant Points of Contact must have been shared with MHHSP, which would ideally be Board-level MHHS Programme Sponsor; Programme Director/Delivery Lead; Design Lead; Test Lead; PMO Lead; Regulatory Lead (and at M3 each Participant is expected to share the appropriate contacts they have in place)
 - the Participant must have sufficient understanding of the Target Operating Model, MHHS Design and proposed programme plan to adequately inform the above, and that

- if not already started, the Participant must have the readiness to start activities required to reach detailed design at the earliest point after M3 (as per the high-level project plan). These may include a High-Level IA of the MHHS Design and the identification of required IT Service Providers (where relevant).

1.16. The PSG on 2 November 2022 will consider whether Milestone M3 has been reached by all Participants based on an initial report from Readiness Assessment 2 and Participant evidence provided via that assessment exercise. Questions for Readiness Assessment 2 are expected to be sent out to Participants on 19 September 2022, with responses due by 7 October 2022.

Impact Assessment

1.17. The MHHSP proposed CR009 on the basis that it would

- improve the quality of the MMHS Design and reduce the risk of later change
- improve Participants' engagement with (and buy-in to) the MHHS Design
- allow more time for less-mobilised and/or less-engaged Participants to accumulate necessary information for their own planning and readiness for their own design and build activities, and
- minimise likely impact on overall programme timeline, thus allowing for the earliest possible consumer benefits.

1.18. MHHSP stated that whilst the deferral of M5 extends the related activity duration and may affect costs for already-mobilised teams, it will be difficult for most Participants to fully articulate the cost impact until the change is seen in the wider context of the overall programme plan through to go-live and beyond. For un-mobilised teams, there should be no incremental costs.

1.19. In relation to M3, MHHSP did not expect this change to directly impact costs for Programme Participants as they should already be preparing for design and build with associated costs factored in. However, MHHSP noted that Participants will be asked to engage with both the design and programme plan consultation at the same time, and this change request is needed in order to allow time for that engagement to be planned and resourced.

1.20. The main new risk identified by MHHSP as a result of CR009 was that Participants were now being asked to consume and understand the MHHS Design, and to consume and be consulted on the proposed programme plan, in parallel. MHHSP

proposed several ways to mitigate the risk of resource constraints, for example by establishing a comprehensive set of playbacks and drop-in sessions to support Participants through the process (for more detail, see below).

1.21. On 14 July 2022, the PSG agreed that the Change Request should be circulated for Impact Assessment. The IA request was issued on 15 July and the response deadline was 29 July 2022. 17 respondents supported the change, 6 respondents rejected the change and 1 respondent abstained.

1.22. Supporters of CR009 agreed that it

- was more likely to deliver a robust baselined design, with benefits such as improved programme efficiency, increased likelihood of delivering later milestones, improved delivery of benefits to consumers, and an improved ability to deliver design and build
- would mean Programme Participants were more likely to have sufficient engagement with the design ahead of M5, including for participants only just coming up to speed and/or resourcing the Programme
- would improve parties' ability to mobilise against the pre- and post-M3 requirements. Some parties welcomed that some activities proposed to be completed ahead of M3 in CR007⁸ could, under CR009, continue following M3.

1.23. Respondents stressed the importance of delivering the programme re-plan alongside M3 and M5 in the timelines given. Some responses noted that a delay to M5 could extend overall programme timelines and hence delay benefits to consumers. Several other risks and concerns were also raised in the IA responses:

- a lack of time for Programme Participants to engage with and assess the impact of the design ahead of their full mobilisation
- Readiness Assessment 2 in October will only provide an estimate of readiness, given it is taking place before M3
- a lack of resources to support the design review, replan and M3 in parallel
- as yet unknown consequential changes that may impact the programme plan and a lack of clarity on how these would be addressed if they arose.

⁸ CR007 was rescinded by unanimous decision at the Programme Steering Group on 6 July 2022. Under CR007, the M3 milestone deadline would have been two months after the M5 milestone.

- 1.24. MHHSP noted that it was taking steps to enhance the design process so that Participants would find it easier to engage. The Design Artefacts would be made available as soon as they are ready. There would be targeted signposting for Participants, and enhanced change control and tracking. The MHHS Portal would be made more user-friendly and there would be a series of design playback sessions with follow-up Participant support. MHHSP said it was confident that these changes would enable consensus across the industry to be reached and that the revised timeline provided the opportunity for meaningful review and engagement, ensuring quality in the MHHS design.
- 1.25. MHHSP acknowledged that some participants might not be fully mobilised at the end of October 2022. For example, as per the criteria in CR009, detailed impact assessments of the design, and sourcing strategies, might continue beyond M3 if parties have not already conducted and completed them already. The criteria for M3 have been amended to reflect this. MHHSP has stated that Readiness Assessment 2 will assess participant readiness at a point in time and will align to those criteria.
- 1.26. Some respondents requested a third round of consultation on the replan consultation after M5 so as to allow Participants to input into the timetable replan once they have digested the design. Following a Change Board discussion on 28 July 2022, MHHSP has added a third consultation window to the replan process. This final round of consultation on the replan will take place after M5.
- 1.27. MHHSP stated that consequential changes are out of scope of the Programme (although the associated risks are relevant to the programme's delivery and the working draft of the Programme plan addresses the need to the programme to monitor Participants' progress in this area). MHHSP also noted that the Consequential Change Impact Assessment Group (CCIAG) would be the forum for industry to table consequential changes for consideration. The CCIAG would report on its work to the DAG.

2. SRO Recommendation

Recommendation and rationale

- 2.1. On 10 August 2022, the PSG discussed the impact assessment for CR009. 11 PSG members supported the change, with one abstaining and none against. As such, the PSG Chair, who is also the MHHS SRO, determined that the change should be recommended for approval to Ofgem.
- 2.2. On 11 August 2022, the MHHS SRO formally submitted a recommendation to Ofgem that it should approve CR009. The MHHS SRO noted that MHHSP had addressed or was addressing many of the concerns that had been expressed through the IA process. On that basis, the MHS SRO supported the PSG's recommendation and stated that approving the change was in the best interests of the Programme, industry and consumers.

3. Independent Programme Assurance

- 3.1. The Independent Programme Assurance provider (IPA) was consulted on CR009 via the Programme Change Board and the industry IA. In its response to the IA, the IPA said it was working on the assumption that the Change Request would not in itself result in a change to the overall Programme timeline, since the overall Programme timeline is being considered as part of the replan. As such, the IPA anticipated that the only impact of the changes on IPA activities would be the timing of 'WP8 Assure Market Participant Readiness for DBT'. This change in timing to IPA activities in relation to WP8 will not incur any additional budget, and therefore will not impact consumers.
- 3.2. Since receiving the MHHS SRO's recommendation, Ofgem has liaised with the IPA about CR009. The IPA has considered how MHHSP intends to mitigate the key risks arising from CR009. In the IPA's view, the risk of resource constraints as a result of reviewing the proposed programme plan and MHHSP design in parallel is mitigated through enhanced plan and design socialisation. The IPA concludes that the plan for delivering the milestones incorporates sufficient opportunity for Programme Participants to review and engage with the design to support their own impact assessment and preparation for Design and Build.
- 3.3. The IPA states that the key risk to delivery of M5 and M3 is the ability of the Programme to respond to, and address, comments raised by Programme Participants in relation to Tranche 4 design documentation, especially if the volume of comments is greater than planned for or major issues are identified. The IPA understands that MHHSP has put in place a number of mitigations to address this risk, including enhanced internal Quality Assurance and increased resources based on lessons learned from the previous delays to design. The IPA believes that these mitigations, if implemented appropriately, are sufficient to address the risk.
- 3.4. The IPA considers that introducing a third round of consultation on the replan mitigates the risk that aligning M3 and M5 would not allow a sufficient gap to assess final design ahead of design and build commencing. The IPA notes that the impact on overall programme timelines of delaying M3 and M5 will be addressed through the replan exercise currently underway. However, it will cause a delay to the start of design and build (from May 2022 to 31 October 2022) and therefore, notes the IPA, it is likely to have an impact on the overall timeline.

- 3.5. Based on the assurance activities it has performed, the IPA considers that CR009 sets out a logical sequence of activities to deliver the M5 and M3 milestones in line with the proposed timelines. On that basis the IPA supports approval of CR009.

4. Sponsor's Decision and next steps

CR009 Assessment

- 4.1. We agree that there is a clear need to replan the timetable for achieving M5 and M3. We note MHHSP's view that CR009 will improve the quality of the MMHS Design and reduce the risk of later change, improve Participants' engagement with (and buy-in to) the MHHS Design, allow more time for less-mobilised and/or less-engaged Participants to accumulate necessary information for their own planning and readiness for their own design and build activities, and minimise likely impact on overall programme timeline, thus allowing the earliest possible consumer benefits.
- 4.2. In addition, we note the points made by respondents to the IA set out above. We expect MHHSP to take steps to ensure that they are addressed effectively. In particular, we note the steps being taken by MHHSP to enhance plan and design socialisation with Programme Participants. We expect MHHSP to ensure that it has the resources necessary to deal with all input from Programme Participants on the design artefacts in accordance with the planned timetable.
- 4.3. In relation to mobilisation for design and build (M3), we note that MHHSP is proposing that Participants have put in place relevant, funded personnel who understand and can contribute to decisions on the MHHS Design and the proposed programme plan, and that those personnel have agreed a high-level project plan within their organisation. We further note that even Participants who have been hindered by involvement in the Faster Switching Programme will have had at least two months to achieve this. We expect MHHSP to publish as soon as possible the comprehensive list of M3 entry criteria and to be clear about how long Participants will have to complete the remaining aspects of mobilisation beyond 31 October 2022.
- 4.4. So far as consequential changes are concerned, we expect MHHSP – via the CCIAG – to identify what those changes might be. It will be necessary to distinguish between changes to codes that are required as a result of MHHS, and other changes (for example, to suppliers' billing or other systems) that might also be desirable. MHHSP should identify as quickly as possible any such changes that have the potential to affect the programme plan or outcomes and set out how these changes will be taken forward. More generally, MHHSP needs to focus on the proactive management of risks to the programme timescales and the realisation of programme benefits so as

to ensure that MHHS is implemented in a cost-effective manner that does not delay MHHS benefits realisation.

- 4.5. We note MHHSP's expectation that the transition design (that is to say, the final decision in relation to migration) will have no material impact on the core design. However, that expectation was based on an assumption that the solution would be consistent with the CCDG's approach. At the time of writing, this is not certain. We expect MHHSP to engage stakeholders closely on whether the emerging solution would have material impacts on the core design and, if so, what that means in terms of Programme Participants' early DBT activity. Clearly it will be important to agree the approach to migration as soon as possible to minimise any risks to suppliers' commencing their design and build activities.
- 4.6. We agree it is sensible to introduce a third round of consultation on the design replan to take place in early November after M5. It will be important that the industry has a reasonable opportunity to reflect on the baselined design before submitting final views to MHHSP on the replan. We note that Programme Participants are likely to need to understand the transition design in order to take a final view on the replan. We urge MHHSP to ensure that industry is given early sight of transition design options and that there is full transparency on the likely impact of those options on the overall design and plan.

Sponsor Decision

- 4.7. We have considered the MHHS SRO's recommendations and the supporting paperwork. We have also considered the statement we have received from the IPA. We accept the MHHS SRO's recommendation to approve CR009.
- 4.8. That said, the programme has now seen two delays to the design completion milestone. Whilst this has partly been driven by supplier requests for more time, MHHSP has clearly needed more time to manage the design process and to deal effectively with stakeholder input. Better planning, including proper validation of a proposal before taking it through governance, would reduce the risk of having to table Change Requests on the same issue in quick succession. More generally, effective management of the stakeholder engagement process will be key to successful programme delivery and this will clearly be an important consideration in the programme replan.

- 4.9. We recognise the difficulty in accurately assessing the impact of planning changes in terms of costs and overall impact on benefit realisation until the full plan review is complete. We expect this to be the last change to the Transition Timetable that comes to Ofgem for approval ahead of the plan re-baseline. We expect the plan re-baseline (if it meets the threshold for Ofgem decision) and all subsequent timeline CRs that are brought to Ofgem to have a full IA that quantifies the full industry cost of the change, the impact on subsequent Level 1 milestones and any delay in benefits realisation. We would not expect to approve any subsequent timetable Change Request without an appropriate IA.

Implementing Ofgem's decision

- 4.10. This Decision relates to M5 and M3 only. It constitutes a change to the baselined Implementation Timetable. No other changes to that timetable are approved as part of this decision. MHHSP should re-issue the new baselined Implementation Timetable in accordance with this decision and ensure that all MHHS Participants are aware of the change.
- 4.11. We expect the replan consultation process to address any other timetable implications of this decision. It is essential that the replan leads to a credible, robust and achievable plan that sees MHHS implemented as early as possible and preferably no later than the date set out in the existing Transition Timetable.
- 4.12. MHHS is a vital enabler for flexibility and our journey to Net Zero. Any delay in implementation of MHHS has a significant knock-on impact on the realisation of wider benefits and it is essential that MHHSP, Programme Participants and Ofgem work together to ensure those benefits can be realised at the earliest possible time.