
Balancing and Settlement Code (BSC) P478: 'Implementation of MHHS arrangements' (P478)

Decision: The Authority¹ directs that this modification be made²

Target audience: National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties

Date of publication: 26 November 2024

Implementation date: On the same date as the M8 Milestone ('Code Changes Delivered') in the baselined MHHS Implementation Timetable

Background

In September 2021, Ofgem approved the Authority Led SCR Modification Proposal P423 'Market-wide Half Hourly Settlement (MHHS) Implementation and Governance Arrangements'. With effect from October 2021, P423 obliged the MHHS Senior Responsible Owner (SRO) to ensure that the modifications to the BSC required for MHHS Implementation were developed in consultation with MHHS Participants and provided to the Authority for implementation.

In response, the SRO established two governance groups to take forward this area of work. These were the Cross-Code Advisory Group (CCAG) and the Code Drafting Working Group (CDWG). The CDWG led on the drafting and review of the code changes necessary to reflect the baselined MHHS design, while the CCAG centrally coordinated, monitored and managed the code changes recommended by the CDWG. The MHHS Programme managed several rounds of consultation enabling wider Programme Participants to engage with and influence the code text as it developed. On 21 August 2024, the CCAG agreed that this legal text properly reflected the MHHS Design and the CCAG Chair baselined it in accordance with the M6 deadline in the MHHS Implementation Timetable. The Chair of the CCAG, on behalf of the

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

MHHS SRO, then wrote to Ofgem to request that we raise a modification bringing the draft provisions into effect. After satisfying ourselves that the baselined legal text was consistent with our April 2021 decision document and the objectives of the Electricity Settlement Reform SCR, we raised the modification proposal³ on 4 September 2024. This was an Authority Led SCR modification requiring BSCCo to consult on it and report to Ofgem by 7 November 2024.

The modification proposal

P478 proposes to make extensive changes to the BSC and supporting documents in order to introduce the new MHHS arrangements. P478 proposes:

- to make changes to 12 existing BSC Sections, including creating two new annexes;
- to create 17 new Code Subsidiary Documents (CSDs); and
- to make changes to 32 existing CSDs.⁴

Key features of the new arrangements

Amongst other things, the modification will introduce several new central systems and services to support MHHS:

- the Load Shaping Service will calculate energy consumption and load shapes using validated actual Settlement Period level data. These robust consumption profiles will improve the information provided to Suppliers by enabling them to better predict their customers' usage, and perform their associated balancing activities;
- the Market-wide Data Service (MDS) will aggregate data for smart, non-smart, advanced and unmetered supplies for Imbalance Settlement and other purposes such as network charges and flexibility offerings. It will also calculate and apply Distribution Line Loss values to the data, enabling it to provide data for BSC Assurance purposes;

³ With the legal text amended to include the revisions introduced by modification P432 with effect from 15 April 2024.

⁴ See the [P478 Modification Proposal Form](#) for a comprehensive summary of the affected Sections and CSDs.

- the new Volume Allocation Service (VAS) will replace the legacy Supplier Volume Allocation Agent system. The VAS will use data from the MDS to calculate energy volumes for Balancing Mechanism Units. The VAS feeds into shorter Settlement run times, which will allow Suppliers to manage their credit positions better and pass savings on to customers;
- Industry Standing Data Management (ISDM) is an enhanced version of Elexon's Market Domain Data Management (MDDM) system and Line Loss Factor services. It requires fewer manual processes to maintain, which will save both time and resources for BSC Parties, Party Agents and Elexon colleagues.

In summary, P478 translates the MHHS design artefacts into code and delivers the code drafting that has been developed by and approved under the MHHS governance arrangements. P478 introduces the necessary obligations, processes and provisions into the BSC to enable a successful transition to the enduring MHHS governance and operational arrangements.

BSC Panel⁵ recommendation

At the BSC Panel meeting on 6 November 2024, the BSC Panel unanimously agreed that modification P478 would better facilitate Applicable BSC Objectives (b), (c) and (d) and the BSC Panel therefore recommended its approval.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 7 November 2024. We have considered the responses to the industry consultation which are attached to the FMR.⁶ We have concluded that:

⁵ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and [Standard Special Licence Condition C3 of the Electricity Transmission Licence](#).

⁶ BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

- implementation of the modification proposal will better facilitate the achievement of the Applicable BSC Objectives;⁷ and
- directing that the modification be made is consistent with our principal objective and statutory duties.⁸

Reasons for our decision

Assessment against applicable BSC Objectives

We consider that this modification proposal will better facilitate BSC Applicable Objectives (b), (c) and (d) and will have a neutral impact on the other Applicable Objectives.

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

We note that the Panel agreed that P478 will better facilitate Applicable BSC Objective (b) for the reasons that we set out in the Authority Led SCR Modification Proposal Form. The successful implementation of MHHS will ensure that the buying of wholesale electricity will more accurately match actual consumption, rather than relying on estimates of consumer usage. Ofgem continues to believe that this could have a second order positive impact on the operation of the National Electricity Transmission System – as there will be an overall increase in the accuracy of the actual usage of electricity, the Transmission System Operator will be able more accurately to dispatch energy where and when it is required.

(c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

⁷ As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

⁸ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed (most pertinently for present purposes) in section 3A of the Electricity Act 1989.

We note that the BSC Panel agreed that P478 will better facilitate Applicable BSC Objective (c) for the reasons that we set out in the Authority Led SCR Modification Proposal Form. Ofgem remains of the view that successfully implementing MHHS will benefit competition by developing a more effective and flexible energy market, and will encourage market entry. MHHS will facilitate the development of innovative business models, products and services that consumers can engage with in the future. This will, in turn, facilitate a cost-effective transition to Net Zero.

In the Modification Proposal Form we also noted that the Competition and Markets Authority, in its 2016 Energy Market Review findings, found that the absence of a firm plan for moving to Half Hourly Settlement was having an adverse effect on competition and was reducing the efficiency, and therefore the competitiveness, of domestic retail electricity supply. Ofgem's view remains that implementing MHHS effectively remedies this adverse effect on competition.

(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements

We note that the BSC Panel agreed that P478 will better facilitate Applicable BSC Objective (d), also for the reason that Ofgem set out in the Authority Led SCR Modification Proposal Form. Ofgem remains of this view. Thus, the modification will implement the MHHS arrangements, which in turn will result in a faster and more efficient Settlement system and processes (as was set out in Ofgem's MHHS Decision Document⁹).

Further remarks

Implementation costs

Ofgem's Final Impact Assessment (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) should deliver

⁹ [Electricity Retail Market-wide Half-hourly Settlement: Decision and Full Business Case | Ofgem.](#)

significant additional benefits that could not be quantified in advance arising from increased competition, innovation and consumer choice. 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. We reported the results of this exercise in the Proposal Form for this modification. Since then, the Programme has consulted on a proposal to delay MHHS go-live by 6.5 months. Based on industry responses to the CR55 Change Request, the Programme submitted evidence to Ofgem about the effect of the delay on implementation costs.

In making our decision on P478, we have considered both the evidence submitted as part of the CR55 process and submissions on costs made via consultation responses on this modification. Even after taking into account the additional costs that might be caused by a delay to MHHS, 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.

Next steps

The Electricity Settlement Reform SCR is an Authority-led end-to-end SCR. Our decision on P478 introduces the changes to the BSC that were identified in August 2024 as being necessary for the implementation of the MHHS arrangements. Following discussions with MHHS Programme and Elexon's BSC Change Team, we expect that further changes to the BSC will be needed before MHHS 'go live'. These will be needed primarily in order to align the BSC with changes to the MHHS design agreed through MHHS Programme governance since the legal text for P478 was baselined in August 2024. Ofgem reserves the right to use its SCR powers to take forward such proposals if, for example, we consider this the most efficient way of ensuring that they are implemented before MHHS 'go live'.

It remains possible that further changes to the BSC may be needed even after 'go live' to bring the new MHHS arrangements fully into effect. If further code changes do prove to be necessary, we may make those code changes under this SCR. Having done so, the SCR will remain open until we have made our final decision in relation to the final code change, and we will confirm when we consider that to have happened.

Decision notice

In accordance with Standard Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal BSC P478 'Implementation of MHHS Arrangements' be made.

**Melissa Giordano, Deputy Director Retail**

Signed on behalf of the Authority and authorised for that purpose