

Public

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Re: Proposed Directions to Elexon about reporting on Market-wide Half Hourly Settlement (MHHS) implementation and about managing MHHS Testing cohorts.

Dear Melissa,

Thank you for the opportunity to respond to Ofgem's consultation on a suite of directions to Elexon in its role as MHHS Implementation Manager.

Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

NESO response to consultation

As an over-arching statement, NESO are supportive of the directions noted in the consultation. Additionally, we hope these, along with the forthcoming MHHS Programme Participant consultation, ensure that the revised MHHS Programme timelines described in Ofgem's Decision on Market-wide Half Hourly Settlement Change Request CR055 will be adhered to.

M10 Checkpoint Reporting

NESO believe that the direction measures described within the consultation create a robust, transparent reporting framework for Pre and Post M10 and MHHS Testing.

We agree with the proposed approach of directing BSCCo to report to Ofgem in March and June 2025 and the subsequent discussions at the MHHS Programme Steering Group (PSG). This timeline allows suitable contingency to address and rectify any issues identified during the testing periods.

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M15 and M16 Milestones

NESO is supportive of the ultimate objective of delivering the MHHS Programme as soon as practically possible to provide benefit to all GB consumers.

However, if the measurement criteria to amend M15 and M16 milestones to an earlier date is adopted, our view is that a more conservative percentage of MPANs having moved to the new MHHS arrangements should be used. Our recommendation is 55% and is based on the rationale noted below:

M15 Timeline (Full Transition complete)

- Our considered view would be to have 60% of MPANs in the new arrangements before escalating the M15 milestone. Our reasoning behind this is that the Ofgem minded to percentage is 40% will be made up of early adopters and large Suppliers and could present a false representation on how quickly the rest of the Suppliers will be able to adapt to a reduced timeline for full transition.
- We are also concerned that there could be an increase in errors in transitioning which may only be identified later, which could feed through to more settlement errors and consumer dissatisfaction.

M16 Milestone (New Settlement Cycle)

- Whilst the Ofgem recommended position of 40% of MPAN's would give NESO more than adequate time to consider the impacts, we note that a series of control points need to be met in order for MHHS Programme to commit to the recommendation to approve M16, and these may not have been determined at the 40% critical mass point.
- We would prefer to have a minimum of 50% of MPANs transitioned to the new arrangements before consideration is given to amending the M16 Milestone.
- NESO will be directly impacted on the shortened Settlement Cycle timelines, though we are already proceeding with work to address the internal impacts on system changes with both our IT and impacted Business functions as a result of the reduced Settlement Cycle and we are well on track to have this completed in time.
- We have also highlighted to the MHHS Programme on the requirements to amend the BSC to accommodate the changes to the Settlement Cycle and believe industry will need time to consider and also change their systems and processes.
- NESO would like to engage with Ofgem and the MHHS Programme to ensure M16 Milestone can be met in a timely manner ensuring no adverse impacts for consumers.

Having attributed different weightings to accelerating the M15 and M16 timelines, NESO would recommend a 55% of MPANs having moved to the new arrangements (average of our recommendations for 50% and 60%).

Final Remarks

For the avoidance of doubt: NESO are supportive of any measures taken by Ofgem to direct Elexon to deliver the MHHS Programme, and NESO continues to remain on track to deliver against the MHHS programme timelines. Whilst our views on the tipping point for the percentage of MPANs may differ from Ofgem, regardless of whether Ofgem decides to approve its minded to position or not, NESO will continue to work with the MHHS Programme and Industry to deliver MHHS, and will continue to ensure we are not a cause of any programme delay.

I hope NESO's response is helpful. If there are any questions or clarifications following this response, please feel free to contact me and arrange a call to discuss.

Yours sincerely

By email

Daniel Arrowsmith

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