

Report

Update: Elexon's Market-Wide Half-Hourly Settlement Business Separation Plan

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This update is to inform stakeholders that Ofgem has approved Elexon's Business Separation Plan for implementing market-wide half-hourly settlement (MHHS).

On 30 September 2021, the Authority published a decision to approve Balancing and Settlement Code (BSC) modification proposal P423.¹ The modification sets out the roles, obligations, governance and assurance for the implementation of MHHS. The modification came into force on 7 October.

Section C 12.4.1 (b) of the BSC states that Elexon (as the BSC Company, or BSCCo) shall - either itself or through external service provider(s) - perform its MHHS Implementation Manager roles without undue discrimination between MHHS Participants (or classes of MHHS Participants). This includes ensuring no undue discrimination between BSCCo as an MHHS Participant and other MHHS Participants. The BSC further states, in section C 12.4.3, that BSCCo shall ensure that the service providers, personnel, IT Systems and facilities it uses to perform its role as MHHS Implementation Manager are sufficiently separated from those it uses as an MHHS Participant, as further described and set out in the MHHS Governance Framework and a business separation plan to be approved by the Authority.

¹ See Ofgem's decision on [BSC modification proposal P423](#).

The Authority designated the MHHS Governance Framework on 1 November.² Paragraph 1.9 of that document provides that Elexon shall develop, obtain Ofgem's approval of, and comply with a business separation plan which requires explicit, physical, organisation and cultural separation, including:

- physical – separate office spaces, websites, and email addresses;
- organisational – the people who are taking operational and management decisions in relation to the MHHS IM role must not be the same people who take decisions in relation to the MHHS Participant role. Reporting from the MHHS IM units to the Elexon executive and board should be in accordance with BSC Section C 12.4.3; and
- cultural – this may be achieved through appointment of external service providers for particular roles but can also be achieved through staff training on awareness of separate functions.

Pursuant to BSC Section C 12.4.3 and paragraph 1.9 of the MHHS Governance Framework, Elexon has submitted its MHHS Business Separation Plan for approval by the Authority. We consider that it provides a reasonable basis for ensuring that the service providers, personnel, IT Systems and facilities that Elexon uses to perform its role as MHHS Implementation Manager are sufficiently separated from those it uses as an MHHS Participant. The Authority accordingly approves the MHHS Business Separation Plan. This Plan, and any revisions to it, will be published on the Ofgem, Elexon and MHHS Programme websites.

Ofgem is currently procuring an Independent Programme Assurance (IPA) provider. Section 12.10.5 of the BSC states that the duties of the IPA shall include monitoring and providing assurance that the MHHS Implementation Manager is complying with its obligations under paragraph 12 of BSC section C. As further specified in paragraph 1.10 of the MHHS Governance Framework, the IPA will be responsible for identifying and reporting on issues relating to business separation and Elexon's conflicts of interest. Where the IPA considers that the issues are material, they will bring them to Ofgem for consideration. Ofgem will then be able to make directions concerning any issues identified, which may include directing Elexon to amend its business separation plan (noting that Elexon is required under the BSC to comply with Ofgem's directions concerning implementation). We believe these provisions should give industry full confidence in the separation arrangements.

² See Ofgem's decision to designate the [MHHS Governance Framework](#).