MHHS PROGRAMME
Industry-led, Elexon facilitated

Programme Steering Group

CR005 Impact Assessment Report & Recommendations

May 2022

Headlines

Objective of this session:

PSG to review the outputs of CR005 Impact Assessment and SRO to make a decision to approve or reject the CR.

Headlines:

- **A significant majority of respondents supported the request** to add Programme Cooperation Principles to the MHHS Governance Framework, as set out in the next slide.

- The overall response rate for CR005 (19%) was significantly less than CR001 and CR002 (34%).

- The majority of responses **(24 out of 32 with 3 abstentions) agreed with the change with unqualified support**

  o   2 large suppliers wanted to understand more about how compliance will be monitored and measured in operation

- **3 respondents** (1 large supplier, 1 I&C Supplier and DCC) **rejected the change by supporting the principles set out in the change, but not the method of implementation suggesting alternatives from the options presented in CR005 that, in their view, are more aligned to the nature of the principles**:

  o   1 large supplier & 1 I&C Supplier suggested implementation via PSG approved principles and DCC suggested implementation by an MoU

- **2 respondents** (NG ESO and SECAS) **rejected the change altogether** and highlighted the following risks and objections to be considered**:**

  o The SEC Panel considered this change superfluous to existing obligations and changing the purpose of the Governance Framework.

  o The change may have unintended consequences for future code governance, for example overriding obligations and principles within another code. There is already existing governance in place allowing Ofgem to act if behaviour from code bodies is not supportive of the programme and that seems the appropriate mechanism to use.

  o It is not clear how the proposed audit function would be utilised by the programme, or what the definition of "Central Parties" is. This could potentially be a significant increase in the governance responsibilities of the programme that should sit with Ofgem. It was also noted by the large supplier rejecting the change that obligations which give the programme the right to audit other participants must be subject to the rigorous review and consultation procedures of the BSC modification process. Any potential code non-compliance requires a standard of evidence acceptable to the BSC Panel into whose established jurisdiction this should fall.

  o There may be ambiguous clauses in the MHHS Governance Framework which would be hard to enforce, potentially leading to inefficiencies in trying to administer these requirements (this was also raised by an abstaining iDNO). [an example referenced as subjective was was "respond promptly" which had been deliberately chosen so as not to be prescriptive at this early stage of the programme]

- 2 respondents rejecting the change (NG ESO, a large Supplier) stated that they didn't think enough industry consultation had been undertaken for this change.

  o   [We would note that this is the defined process for changes to the Governance Framework with proposals coming to PSG for approval before being raised as a CR]

- 1 supportive respondent provided potential improvements to the drafting which could be considered in future:

  o The programme should consider inclusion of additional principles regarding proportionality, feedback responsiveness and targeted communications. In summary, this will help ensure collaborative working is not overly burdensome and programme parties have greater assurance and transparency of how their input and feedback is actioned.

CR005 Submitted Impact Assessments

Programme Parties	CR005 Recommendations				Market Share* (where applicable)			
	Yes	**No**	**Abstained**	**Not Replied**	**Yes**	**No**	**Abstained**	**Not Replied**
Large Suppliers	3	1	-	1	72%	-	-	28%
Medium Suppliers	1	-	-	5	20%	-	-	80%
Small Suppliers	4	-	-	30	1%	-	-	99%
I&C	4	1	1	35	17%	30%	0%	53%
DNOs	3	-	1	2	47%	-	13%	40%
iDNOs	1	-	1	11				
Ind. Agents**	2	-	-	46				
Supplier Agents**	-	-	-	5				
S/W Providers	2	-	-	-				
National Grid	-	1	-	-				
Code Bodies	1	1	-	1				
Consumer	-	-	-	1				
Elexon (Helix)	1	-	-	-				
DCC	-	1	-	-				
SRO / IM & LDP	1	-	-	-				
IPA	1	-	-	-				

*According to the latest Meter Point Administration Number (MPAN) data held by the Programme. Market Share has not been provided for constituencies where MPAN data is not currently available.

**The classification of Independent and Supplier Agents is maintained by the Programme Party Coordinator and is subject to change.

Rationale for being marked down as 'abstained'

- Several respondents did not fully complete the Impact Assessments, with a response to recommendation crucially omitted.
- Several respondents declined to formally respond due to time constraints or lack of information available to form an opinion.
- Several respondents stated CR005 had no impact on their activities and therefore did not formally respond.

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Further Points for Consideration

We are bound to make a decision on the basis of the Change Request that has been raised, but there are opportunities to improve the Cooperation Principles in a future iteration if this version is approved.

1. Concern raised by SECAS:

For example, CR005 proposed the MHHS Programme audit interactions of Central Parties where there is reasonable evidence to suggest that the principles have been compromised. It is not clear what such an audit function would be, or what the definition of "Central Parties" is. This could potentially be a significant increase in the governance responsibilities of the programme that should sit with Ofgem.

Potential Resolution:

- Propose that rather than initiating an audit, the appropriate action would be for the MHHS Programme to escalate this to the IPA, which is the appropriate escalation within our governance
- We will define Central Parties as Elexon as Central Systems Provider, DCC, DIP and Electralink as DTN provider

2. Concern raised by SECAS:

CR005 may have unintended consequences for future Code Governance, for example overriding obligations and principles within another Code. There is already existing governance in place allowing Ofgem to take action if behaviour from Codes is not supportive of the MHHS Programme and that seems the appropriate mechanism to use.

Potential Resolution: to update the text to state that these Cooperation Principles shall not take precedence over any other regulatory obligations.

3. Improvements raised by RECCo:

Respond to feedback (not just requests for information) so Programme Parties have transparency of how their input and feedback is taken into account.

There are no principles about proactive and targeted communication to MHHS Programme Parties. We believe there should be a principle that the MHHS Programme should be proactive in providing information to impacted parties and not expect the all Programme Parties to attend every working group to understand what's going on with the programme.

Potential Resolution: to update the Cooperation Principles accordingly

We could request from all Programme Parties where they believe there may be ambiguity or subjectivity in the principles for improvement

We could also issue clarifications to address some of the concerns raised:

- All of the principles apply to the MHHS Programme as an MHHS Participant

- We could clarify the processes to govern, monitor, measure and enforce the Governance Framework and Cooperation Principles in operation