MHHS PROGRAMME
Industry-led, Elexon facilitated

M16 Update

MHHS-DEL4560
24/06/2026
V1.0

Transition to new Settlement Timetable and M16 Decision - Introduction

1. M16 Milestone is Cutover to the new Settlement Timetable, by shortening:
   - the reconciliation runs, i.e. Final Reconciliation (RF) moves initially from 14 months to 7, then 4 months
   - the first financial settlement run (SF) changing from 15WD to 7WD

2. Requirements are described in the agreed Requirements for the Transition to the new MHHS Settlement Timetable, see MHHHS-DEL1590 - MHHSP Transition to New Settlement Timetable v2.3 Approved.pdf (the Transition Design was baselined by industry in Q3 2023)

3. 2 decision points (See next slide for POAP):
   - 1st Decision in October 2026 to make the RF change to 7 months in October 2026 and then to 4 months at 02/07/27 (M16)
   - 2nd decision in April 2027 to change the SF run to 7 WD at 02/07/27 (M16)

4. 2 phases of work:
   - Methodology: Develop and define the data and criteria that will be used to enable decision making on the new settlement timetable
   - Operation: Ongoing monitoring of settlement and migration data (including related issues) to make recommendations to MCAG on 2 decision points and implementation of the new Settlement Timetable

5. The governance approach will include MCAG, a new level 4 WG (STEG), industry consultation and PAB input

History (1 of 3) – Transition Design Focus

1. Q3 2017 - Ofgem initiated SCR on Electricity Settlement Reform

2. Q4 2017 - Elexon formed the Design Working group (DWG) - part of Ofgem's SCR for MHHS TOM

3. Q3 2019 - DWG produced the TOM for MHHS and high-level transition approach (final report 30/08/19)
   - move SF to 5-7 working days (WD) (from 16WD)
   - move RF to 4 months (from 14 months)
   - move DF to 20 months (from 28 months)

4. Q4 2019 - Ofgem approved the DWG's preferred TOM ((01/10/19), see Appendix)

5. 2020/21 - Ofgem undertook consultation, IA and business case work

6. **Q2 2021 – Ofgem final decision document on MHHS with full IA and business case (20/04/21)**

Ofgem 3 key decisions on TOM re settlement timetable:

1. Initial settlement run (SF) should take place at 5-7 working days after the settlement date

2. Final settlement run (RF) should take place at 4 months after the settlement date

3. Post Final settlement run (DF) should take place at 20 months after the settlement date

History (2 of 3) – Ofgem Rationale on Settlement Timetable and Transition

Ofgem's final decision document 20 April 2021:

Initial settlement run (SF) should take place at 5-7 working days after the settlement date:

- more actual data from Smart meters
- LSS improve the quality of estimated data at SF

Final settlement run (RF) should take place at 4 months:

- liabilities settled faster (earlier certainty)and quicker market exit
- sufficient time to correct most issues, allows for 4 (monthly) attempts
- incentivise parties to fix issues in a more timely manner
- settlement timetable should not be built around exceptions

NB: BSC PAF to flexibly set performance targets, strike a balance between incentivising suppliers to promptly take meter readings (noting difficult to access sites, traditional meters and meter faults)

The Post Final settlement run (DF) should take place at 20 months after the settlement date

- should include ratcheted materiality

Transition should consider monitoring:

- **against trigger points and consider timing when it would not be detrimental to the accuracy and integrity of settlement to do so**
- **the extent of the smart meter rollout and number of traditional meters remaining**
- **against a target for actual meter reads, or load shaped estimates**

History (3 of 3) – Further detail on the Ofgem decision: Extract from the April 2021 Decision Document

1. We confirm our decision that the Final settlement run (RF) should take place at 4 months after the settlement date

We believe this would allow liabilities to be settled faster, which would bring earlier certainty about charges and enable quicker market exit. As stated in paragraph 3.6. above, we agree with the DWG's recommendation that the settlement timetable should only be reduced after the migration to MHHS is complete, and the timing should consider when market monitoring against trigger points suggests it would not be detrimental to the accuracy and integrity of settlement to do so, including the extent of the smart meter rollout.

Monitoring against a target for actual meter reads, or load shaped estimates where this is the best data available, should also be included in the considerations

In our draft IA consultation we set out our view that the new settlement timetable should not be built around exceptions and that we expect the BSC PAF to flexibly set performance targets to strike a balance between incentivising suppliers to take meter readings promptly and recognising that there are a proportion of sites for which data is difficult to access. This should include taking into account factors such as the number of traditional meters remaining and a reasonable level of meter faults. We maintain this position as the benefits of the reduced settlement timetable also need to be considered, and agree with the majority of stakeholders that 4 months should be sufficient time to correct most issues as it allows for 4 (monthly) attempts, and that the more ambitious settlement timetable should incentivise parties to fix issues in a more timely manner when they do arise. We also believe that if PAF performance targets are set correctly suppliers should not incur excessive costs for obtaining meter readings from customers with a traditional meter, and that load shapes from the load shaping service should make estimates applied to these customers more accurate than the current profiles. The proportion of meters that cannot be ready by RF is expected to be small, and any errors would be spread across suppliers via the Grid Supply Point (GSP) Group Correction process. Ofgem expects the industry led design and implementation process to take into consideration the impact on consumers of all types, and take a proportionate approach, as set out in section 7. Alongside other domestic and non-domestic consumers, this also includes industrial customers in sectors with above-average incidences of advanced meter communication issues.

We have not seen evidence that having the RF run take place at 4 months would lead to an increase in the number of post-final settlement runs. We expect that this would only occur if the cut over to the new settlement timetable happens before the industry is sufficiently prepared. Industry should therefore be preparing for the reduced settlement timetable during the course of transition.

STEG Considerations

- STEG has focussed on the monitoring required to determine whether the move to the shortened timetable would compromise the integrity of settlement
- This criteria was defined in the MHHS Transition Design
- STEG has considered movement in the Settlement Runs between RF, R3 and R2 as being the key comparisons in that significant movement between these runs would indicate an issue
- Currently the deltas that we are seeing and are continuing to monitor are small, see following slide for CVA analysis where the movements are 0.02% and 0.03% for R3 and R2 respectively from RF
- It shpuld be noted the II Settlement run was deliberately retained in the Transition Design to allow for early validiation of CVA volumes

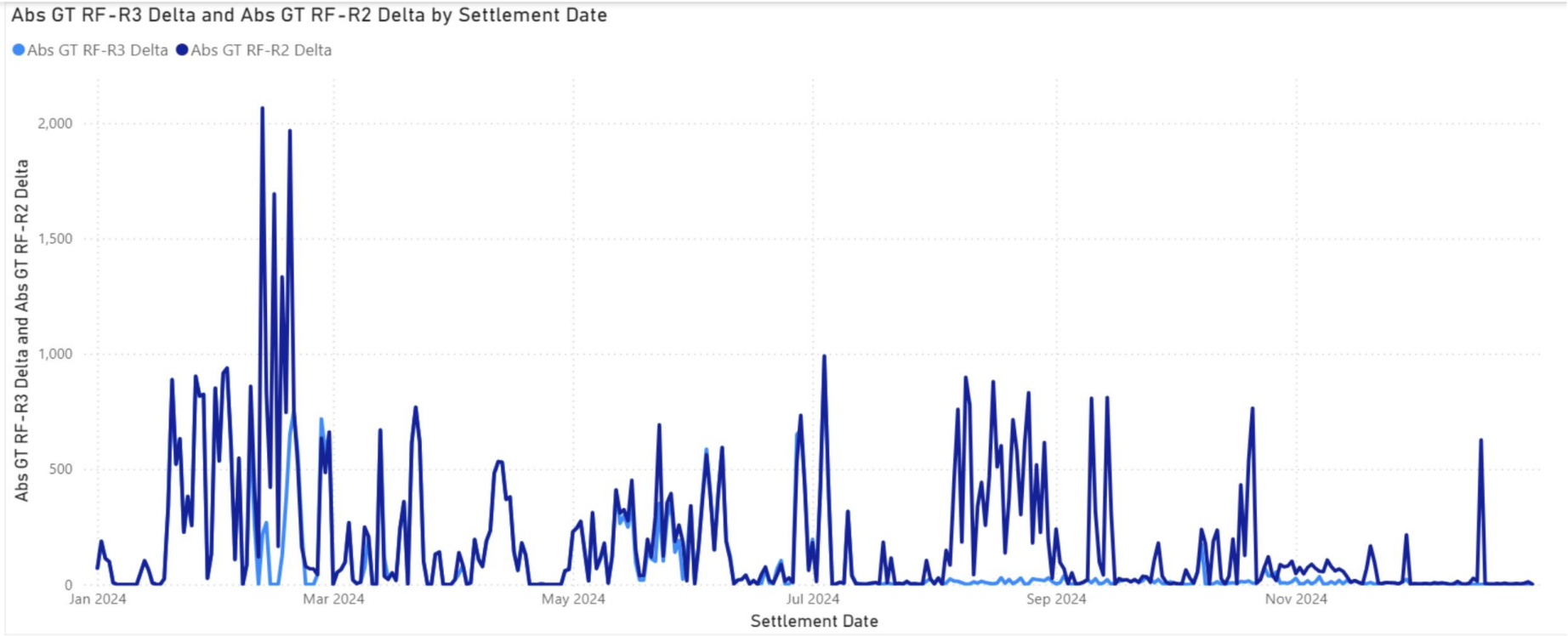
Useful Links

MHHS M16 Page*: https://www.mhhsprogramme.co.uk/programme-information/key-programme-milestones/milestone-16-m16-cutover-to-the-new-settlement-timetable

MHHS STEG Papers: https://www.mhhsprogramme.co.uk/migration/migration-governance/steg

*There are some key links available on this page. These include the Transition Design, MHHS Full Business case where this timetable change is approved and associated Design Artifacts

CVA Deltas between RF and R3/R2



- Total percentage change is ~0.02% between RF and R3.
- Total percentage change is ~0.03% between Rf and R2.

Energy

Quarter	GT RF-R3 Delta	Abs GT RF-R3 Delta	GT RF-R3 Delta %	GT RF-R2 Delta	Abs GT RF-R2 Delta	GT RF-R2 Delta %
Qtr 1	21,990.14	21,990.14	0.04%	29,545.52	30,059.09	0.05%
Qtr 2	14,453.77	14,773.62	0.03%	15,638.52	15,937.24	0.03%
Qtr 3	1,939.46	3,298.97	0.01%	16,986.68	18,463.97	0.04%
Qtr 4	-201.34	879.06	0.00%	3,530.73	6,052.60	0.01%
Total	**38,182.03**	**40,941.78**	**0.02%**	**65,701.45**	**70,512.90**	**0.03%**

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