RETAIL ENERGY CODE

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PAB DEROGATION REPORT – MHHS SUPPLIER EXEMPTIONS

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FOR DECISION



In this paper, the Code Manager is presenting a Derogation Application to the Performance Assurance Board (PAB) which will exempt specific Suppliers, who meet the criteria set out jointly by the Balancing and Settlement Code and REC, from the requirements for the Smart Market Segment (SMS) or Non-Smart Market Segment within the updated REC Code drafting introduced by the Market-wide Half Hourly Settlement (MHHS) Programme.

We are not seeking this derogation for any specific Supplier or group of Suppliers at this point, instead we recommend PAB to **APPROVE**:

- The principle on the basis of which a Supplier may be granted a derogation when they complete MHHS Qualification with an approved exemption.
- Delegate authority to the REC Code Manager to approve the Derogation for specific Suppliers as part of their MHHS Qualification approval.

The Derogation Register will be updated to capture details of specific Supplier Parties who qualify with the exemption when its Qualification is approved.

1 BACKGROUND

In RECPAB_24_0430_05, the REC Code Manager and the Balancing and Settlement Code Company (BSCCo) presented queries received from some Supplier organisations requesting the provision of exemptions from certain MHHS Qualification requirements. Subsequently, the REC PAB to approved the principles for exemptions from SMS requirements for MHHS Qualification for Suppliers who meet the criteria developed jointly by BSCCo and REC Code Manager and presented within RECPAB_24_0625_10. This decision was based on the recommendations made by the joint Performance Assurance Board (PAB) working group comprising of representatives from the REC PAB and BSC PAB.

This Derogation therefore seeks to facilitate the agreed exemptions.

A summary of the Derogation and recommendations for the PAB to consider are set out in the sections below.

1.1 DEROGATION SUMMARY

The below information has been compiled by the Code Manager in relation to the Derogation Application:

	DEROGATION DETAILS
Summary of the issue	Six Industrial & Commercial (I&C) Suppliers reached out the BSCCo and the REC Code Manager in April 2024, requesting an exemption from specific MHHS Qualification requirements which related to types of Meter Points they neither operate, nor intend to operate. In their request, these Suppliers stated they do not have the resources to support areas outside their business model. These requests came from I&C Suppliers who: • are currently qualified as half-hourly (HH) -only Suppliers; • hold a Non-Domestic only Supply Licence; • are not registered with Data Communications Company (DCC) to operate DCC-enrolled Smart Meters; and • operate and intend to continue operating a portfolio of Advanced meters only. They sought an exemption from MHHS requirements for Suppliers relating to the SMS.
Summary of the proposed Derogation and impacted REC obligations	Suppliers who meet the eligibility criteria set out within the MHHS-DEL1118 – Qualification Approach and Plan and can demonstrate appropriate controls to operate without breaching their exemption conditions as part of their MHHS Qualification will be exempt from REC obligations for the registration and operation of SMS Meter Points. These Suppliers will operate within Controlled Market Entry Conditions (CMEC) that prevents them from registering any SMS Meter Points.

Related Derogations or applications	N/A – this is the first Derogation Application in relation to this matter.
Impacted REC Parties and Service Providers	Under the REC, this includes processes for exchanging metering data and ensuring they have appointed Meter Operator Agent (MOA) of the correct Market Segment.
Impacts on Retail Risks	Retail Risk I - Retail market systems are not effective or efficient: This derogation will enable the MHHS Qualification process to be proportionate and respond to the varied business models that exist within the industry. Retail Risk III - Customer interests and data are not protected in the operation of the REC: The derogation will also apply safeguards such as restriction on the exempt Suppliers and appropriate monitoring to prevent consumer harm where a Supplier registers a Meter Point it is not qualified to supply.
Legal or technical advice obtained in relation to the application	No technical impacts identified.
Length of the Derogation	Two years, following which the Code Manager will request an extension, and the relevant Suppliers will be invited to re-apply. Where a Supplier wishes to qualify for the exempt segment, PAB will be notified, and this Derogation be closed on their successful completion of Qualification. The Code Manager will provide regular updates to the PAB of the ongoing list of Derogated Suppliers and their Qualification status (as well as updating the Derogation Register) as part of the standard MHHS Qualification paper.
Conditions to any Derogation	The full set of conditions approved are as documented in section 11.4.2 'Approach for participants where they do not operate / intend to operate sub-roles within a Code-defined role' of MHHS-DEL1118 – Qualification Approach and Plan v4.0 (latest approved version in use at the time of this application). At a high-level, these require the Supplier, as part of their MHHS Qualification, to satisfy the defined eligibility criteria, sufficiently demonstrate controls that they shall operate to not breach the conditions of their Qualification and accept CMEC set by the Code Manager. Additionally, the Supplier will be subject to active monitoring and application of Performance Assurance Techniques and escalations available to the Code Manager and PAB to manage associated risks and remedy breaches.
Ofgem consent	Ofgem approved BSC P476: Exemption from MHHS Requirements for Smart Market Segment Supplier Qualification (P476) on 23 January 2025 and therefore do not need to be additionally informed of this REC Derogation.

2 RECOMMENDATIONS

Based on the information submitted and the assessment undertaken, the Code Manager recommends that PAB:

- **APPROVE** the Derogation for eligible Suppliers from REC requirements for the registration and operation of Smart Market Segment Meter Points until the Supplier successfully complete the Qualification for the exempt Market Segment, up to a maximum period of two year from the completion of their MHHS Qualification.
- **DELEGATE** the REC Code Manager to apply this derogation as part of MHHS Qualification approval and notify PAB.

3 PAB ACTIONS

PAB Members are invited to take the following actions:

- **CONSIDER** the Derogation Application received and recommendations set out;
- **AGREE** to grant the Derogation;
- **AGREE** to the conditions proposed for the Derogation; and
- **AGREE** the timescales for the Derogation.