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MARKETWIDE HALF-HOURLY SETTLEMENT (MHHS) QUALIFICATION UPDATE

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FOR DECISION	This paper covers key updates on MHHS Qualification including the following items for decision where the Code Manager recommends PAB to: • **APPROVE** the principles for exemptions from certain MHHS Qualification requirements, based on the recommendations made by the joint Performance Assurance Board (PAB) working group comprising of volunteers from the REC PAB and BSC PAB. • **APPROVE** the updates to the REC Assessment Criteria for MHHS Qualification to include Operational Testing requirements. • **APPROVE** the approach for checking Party readiness to implement Supply Number and DTN changes in time for MHHS cutover.
FOR INFORMATION	This paper also covers other key updates on MHHS Qualification, where the Code Manager recommends PAB to: • **NOTE** the update on the current status of the QT Wave Allocation.
APPENDICES	**RECPAB_24_0625_10A – REC Assessment Criteria for MHHS Qualification v2.1 (REDLINED)** **RECPAB_24_0625_10B – REC Assessment Criteria for MHHS Qualification v2.1 (CLEAN)** **RECPAB_24_0625_10C – REC Assessment Criteria for MHHS Qualification v2.1 (EXCEL)**

1 BACKGROUND

1.1 ROLE OF THE PAB

The REC PAB sets the policy, approach and risk appetite for REC Qualification under the Market-Wide Half-Hourly Settlement (MHHS) Programme. Therefore, through this paper, we provide REC PAB an update on MHHS Qualification artefacts development and ask them to approve key decisions on the nature and extent of the assurance activities for MHHS Programme Qualification.

In some instances, this paper uses BSC terminology used by the MHHS Programme, which is different to typically used under the REC, including referring to LDSOs, which are Electricity Distribution Network Operators (DNOs) under REC.

As MHHS Qualification is being jointly developed by BSCCo and REC Code Manager, they are jointly referred to as Code Bodies within this paper and its appendices.

2 SUPPLIER REQUESTS FOR EXEMPTIONS TO ALLOW FLEXIBILITY BASED ON BUSINESS MODEL

2.1 BACKGROUND

In RECPAB_24_0430_05, the REC Code Manager, along with BSCCo, presented queries received from some Supplier organisations requesting the provision of exemptions from MHHS Qualification requirements. To consider these requests, we set up a working group with volunteers from the BSC and REC PAB. This working group met on 09 and 21 May and was attended by Ofgem. In this paper, we have set out the recommendations that came out of the working group for a decision from REC PAB.

2.2 RECOMMENDATIONS BY EXEMPTION TYPE

2.2.1 INDUSTRIAL & COMMERCIAL (I&C) SUPPLIERS REQUESTING EXEMPTION FROM SMART MARKET SEGMENT REQUIREMENTS

Overview of the enquiries received:

Supplier category	Exemption requested	Number of Suppliers who have currently requested exemption[1]
Industrial & Commercial (I&C) Suppliers who: • **are currently qualified as half-hourly (HH) only Suppliers;** • **hold a Non-Domestic only Supply Licence;** • **are not registered with DCC to operate DCC-enrolled Smart Meters; and**	They are seeking exemption from MHHS requirements for Suppliers relating to the Smart Market Segment. *Under the REC, this would include processes for exchanging metering data and ensuring they have appointed Meter Operator*	6

[1] There are the number of requests received as of April 2024 and we anticipate more Suppliers may apply for these exemptions if available.

Supplier category	Exemption requested	Number of Suppliers who have currently requested exemption[1]
• **operate and intend to continue operating a portfolio of Advanced meters only**	*Agent (MOA) of the correct Market Segment.*	

Recommended Solution

The working group considered the associated risk and recommended the following solution for PAB approval:

Preventative Techniques



Setting an eligibility criterion for applying for an exemption as follows:

- All meters within the Supplier portfolio must only have the meter types associated with the Advanced Market Segment in line with Entity M7 document within MHHS Design. This will be verified by Code Bodies whilst considering the exemption.
- The Supplier has not become a DCC User. This will be verified by Code Bodies.
- The Supplier must agree a cap on their total portfolio size to allow them to effectively manage their exemption requirements. This will be applied through REC Controlled Market Entry.



Adding the following requirements within the Qualification process for the Party to demonstrate controls they will operate to meet the exemption condition and remain compliant:

- Demonstrate the processes and controls the Supplier will operate to ensure they do not acquire any Meter Points other than those within the Advanced Market Segment.
- Demonstrate how the Supplier will monitor they remain compliant with the exemption conditions.
- Demonstrate how they would deal with gaining sites within the exempt market segment or where sites within their portfolio need to go through change in market segment.



Applying the following Qualification conditions and consider introducing other technical controls during operation:

- Within the Qualification Assessment Document (QAD), the Company Director of the Supplier must assert that they will notify Elexon and the REC Code Manager Market Entry teams and complete Qualification for Market Segments they sought an exemption from before they register or operate any Metering Points of that segment.

- The Supplier must notify Elexon and the REC Code Manager when they are applying to become a DCC User to operate Smart segment meters.
- The Code Bodies will propose changes to CSS to prevent a Supplier with exemption in place from registering meter points other than those within the Advanced Market Segment. This change request will be assessed by the REC Technical Panel and the solution for exemptions is not dependent on this change.

Detective Techniques



Actively monitoring and application of Performance Assurance Techniques:

- Code Bodies will actively monitor portfolios of Suppliers who have exemptions in place, to ensure they do not breach the conditions of their Qualification.
- Where a breach is identified by either Code, there will be a cross-code notification and the Supplier will need to remediate the breach.
- Code Bodies will apply Performance Assurance Techniques (PATs) available under the respective Codes.

Incentive Techniques



Additional Techniques and Escalation:

- Code Bodies have provisions under the respective Codes to apply escalation techniques where severe breaches are noted and not remediated on time.
- Under the REC, these include Specific Condition PAT (e.g. limiting or removing access to REC Services), Referral to Ofgem or triggering an Event of Default as appropriate.
- BSC have similar provisions as described within BSC Section H.

Code Manager recommendation:

The Code Manager recommends REC PAB approve the proposed solution for allowing exemptions from Smart Market Segment requirements for MHHS Qualification for Suppliers who meet the eligibility criteria set above and can demonstrate appropriate controls to operate without breaching their exemption conditions.

2.2.2 SUPPLIERS REQUESTING EXEMPTION FROM PREPAYMENT REQUIREMENTS

Overview of the enquiries received:

Supplier category	Exemption requested	Number of Suppliers who have currently requested exemption[2]
Suppliers who: • **Do not operate or intend to operate a Prepayment portfolio.**	They are seeking exemption from MHHS requirements for Suppliers relating to Prepayment. *In the MHHS Design, the only difference for Prepayment is where there is a Non-Smart Prepayment Meter undergoing a Change of Energisation, the Supplier will receive an additional Meter Message from the MOA via the Data Transfer Network (DTN). This D0179 flow, which contains Prepayment information (for example credit balance) is an existing Market Message that MHHS Design is not changing. Under the REC, there are wider obligations for Prepayment Meters which are not impacted by the MHHS Programme.*	2

Recommended Solution

The working group considered the associated risk and recommended that this request not be taken forward based on the following rationale:

- This exemption would not deliver any benefits as there are no Qualification Testing requirements which differ for Prepayment or Credit meters or which require the test participant to stand up Prepayment meter point data for testing.
- The focus of MHHS Qualification and associated testing is on areas which are undergoing changes through MHHS Design. MHHS Design, however, doesn't introduce any new requirement for Prepayment meters. As noted above, the D0179 flow referenced within the business process document for Change of Energisation is an existing flow.

[2] There are the number of requests received as of April 2024 and we anticipate more Suppliers may apply for these exemptions if available.

- There are wider requirement for Prepayment meters under the Standard Licence Conditions for Supply and within the REC, and allowing exemptions for MHHS Qualification will create complexity in how those are managed.
- As Smart Meters can be operated in either Credit or Prepayment mode, and also have the ability to be switched between the two modes, this makes monitoring compliance with the exemption conditions difficult.

Engagement with the Requestors

- Following further engagement with the requesting Suppliers, one of the two Suppliers has confirmed that they have commenced design, build and test activity with the view that there are no provisions for exemption from prepayment requirement so would no longer require this exemption.
- The other Supplier has also been informed of the working group recommendation and on the basis that there are no explicit requirements for MHHS Qualification relating to Prepayment meter points, which differ from credit meters, it will no longer require this exemption.

Code Manager recommendation:

The Code Manager recommends REC PAB to reject the request for allowing exemptions from Prepayment requirements for MHHS Qualification for Suppliers.

2.2.3 SUPPLIERS REQUESTING EXEMPTION FROM EXPORT REQUIREMENTS

Overview of the enquiries received:

Supplier category	Exemption requested	Volume of Suppliers who have currently requested exemption[3]
Suppliers who: • **Do not operate or intend to operate an Export portfolio.**	They are seeking exemption from MHHS requirements for Suppliers relating to Export. *Under the REC, this would include processes for registration of Export Metering Points, ensuring they have appointed the Meter Operator Agent (MOA) as the Import Supplier, and maintaining association for linked Import and Export Metering Points.*	1

[3] There are the number of requests received as of April 2024 and we anticipate more Suppliers may apply for these exemptions if available.

Recommended Solution

The working group considered the associated risk and recommended that this request not be taken forward based on the following rationale:

- Code Bodies have not identified any tangible benefits such exemptions would offer. On the contrary, we anticipate this will introduce complexity to how Qualification is managed and also may create conflicts with the Standard Licence Conditions that Suppliers must meet.
- On review of the requesting Supplier's portfolio, it was noted they have registered export meter points.

Engagement with the Requestor

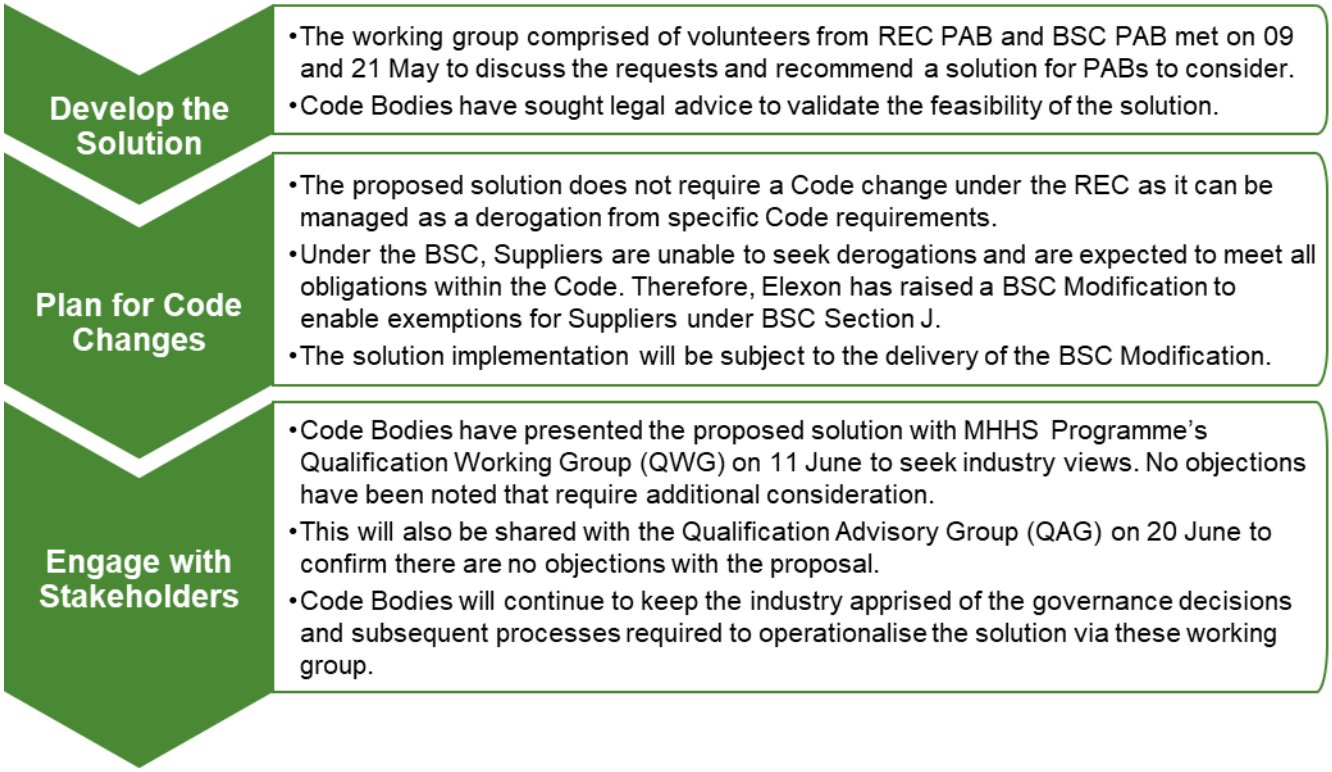
Following further engagement with the Supplier, it has clarified its request was solely for exemption from operated non-half-hourly (NHH) Export as they do intend to operate HH Export. The Code Bodies have further clarified that MHHS Design will remove the distinction between NHH and HH and the process for Export meter points will remain the same. The Supplier recognises this and therefore does not wish to proceed with this exemption request any further.

Code Manager recommendation:

The Code Manager recommends REC PAB to reject the request for allowing exemptions from Export requirements for MHHS Qualification for Suppliers.

2.3 PROCESS AND TIMELINES

The following diagram shows the process followed so far along with the next steps:



Governance Approvals

- The solution is being presented to REC PAB on 25 June to seek approval. This approval is sought on the condition that the solution is also approved by the BSC PAB.
- This will then be taken for approval to the BSC PAB who will meet on 03 July. Their approval will be dependent on the implementation of the BSC Modification described above.
- The BSC Panel will review this BSC Modification on 11 July and issue a 10 working day consultation, before their approval is sought.
- Once approved, the BSC Modification will be sent to Ofgem for approval in August 2024.

Implement and Operationalise

- Code Bodies expect the proposed solution can be implemented in November 2024, subject to approvals outlined above.
- Until all approvals are confirmed and communicated, the current guidance remains to proceed with planning and submissions based on the current position where no exemptions are permitted other than from Unmetered Supply requirements.
- If the proposed solution and the BSC Modification are approved, Code Bodies will share additional guidance on the process and timelines for applying for exemptions offered. This guidance is expected to be shared in October 2024.
- Code Bodies can only invite applications after the BSC Modification is implemented, subject to approval.

2.4 PAB DECISION

REC PAB DECISION

The Code Manager recommends REC PAB to approve the principles for exemptions from Smart Market Segment requirements for MHHS Qualification for Suppliers who meet the eligibility criteria set above and can demonstrate appropriate controls to operate without breaching their exemption conditions.

3 CHECKING PARTY READINESS FOR MHHS TRANSITION

In RECPAB_24_0430_05, the REC Code Manager set out initial techniques (Request for Information, RFI) applied to assess REC Party readiness to support MHHS cutover. These include changes to the Supply Number format under the REC and the readiness of Suppliers and Agents, operating in the legacy settlement arrangements, to receive, process and respond to market messages that have been amended to support MHHS migration under the REC. MHHS Programme requires the Code Bodies to confirm that Parties under their Code have implemented the required changes for MHHS Cutover.

We are now sharing our proposal on additional techniques to be applied to ensure Parties remain on track to deliver these changes in line with the MHHS Programme Plan.

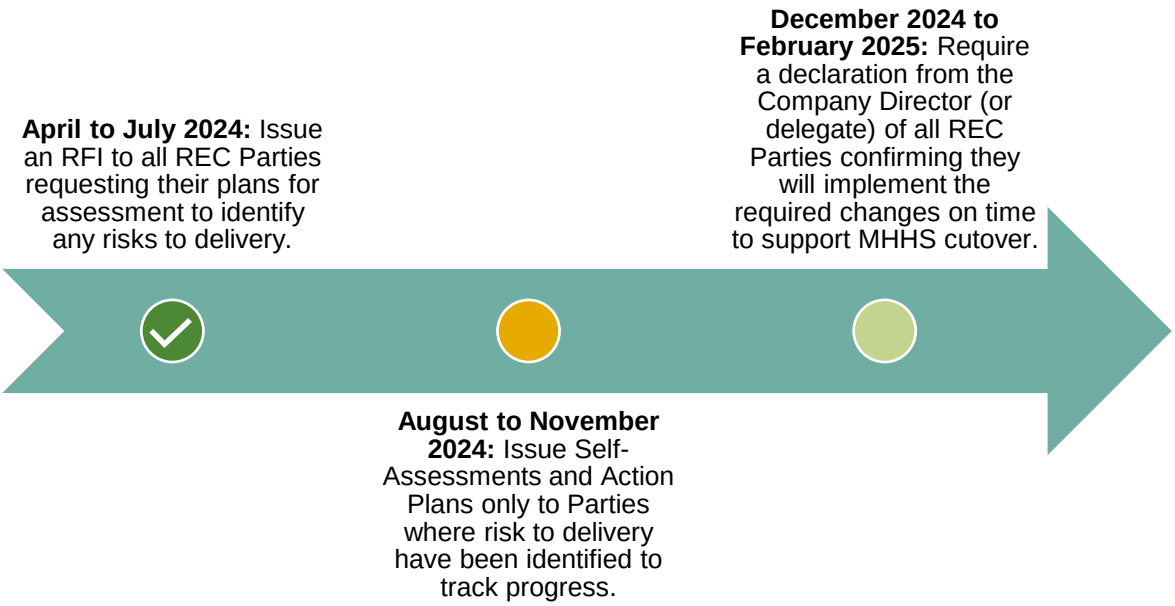


Figure 1: Proposed PATs to assure readiness of REC Parties to support MHHS cutover before they are qualified

Once approved by PAB, the Code Manager intends to communicate this plan to Parties at the MHHS Webinar planned by RECCo in July so Parties have early visibility of performance assurance requirements for MHHS cutover. We will also add this information within the next iteration of the Qualification Approach and Plan (under section 7.3.2 which describes the assurance activity for assessing readiness of Parties qualified and operating within the legacy arrangements before they complete MHHS Qualification).

Further targeted communications will be planned closer to the application of PATs described above.

REC PAB DECISION

The Code Manager recommends REC PAB to approve the approach for checking Party readiness to implement Supply Number and DTN changes in time for MHHS cutover.

4 REC ASSESSMENT CRITERIA FOR MHHS QUALIFICATION

4.1 PURPOSE OF THIS DOCUMENT

This document sets out the assessment criteria for MHHS Qualification for all roles governed under the REC. The Code Manager has analysed the Functional, Non-Functional, Migration and Operational Requirements to provide MHHS Programme Participants an indication of where they would need to provide evidence of meeting these requirements, e.g., within the QAD, or through internal testing (referred to as Pre-Integration Testing or PIT) or external testing (i.e. the System Integration Testing

(SIT)[4] managed by the MHHS Programme or Qualification Testing (QT)[5] managed by BSC and REC). This document also provides early visibility of what Programme Participants can expect from the QAD and the Qualification Testing Scenarios.

4.2 UPDATES SINCE VERSION 2

In September 2023, the REC PAB approved the REC Assessment Criteria for MHHS Qualification v1.0, which set out the standard the Code Manager will use to develop the nature, extent and timing of the assurance activities that form part of the MHHS Qualification within the REC governance. Version 1 covered Functional requirements by role listed within MHHS Design. This was further updated in March 2024 to include Migration and Non-Functional requirements and approved by the REC PAB to be published as the REC Assessment Criteria version 2.0.

The current version presented for REC PAB approval has been updated to cover Operation Requirements based on the current view of MHHS Programme artefacts. We have also updated the assumptions and the approach which has evolved since the publications.

4.3 DEVELOPMENT AND APPROVAL PROCESS

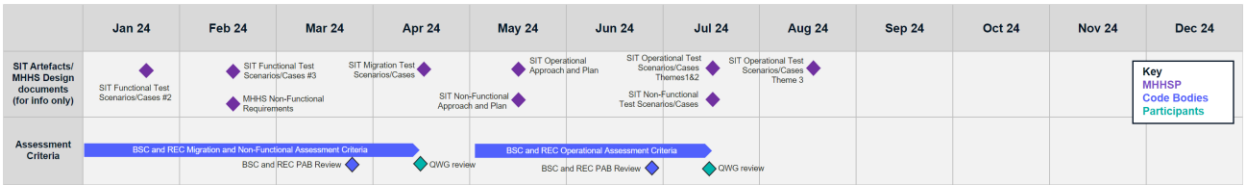
The Code Manager has reviewed all Functional, Non-Functional, Migration and Operational Requirements published by the MHHS Programme to determine the scope for MHHS Qualification. As this is a REC document, it sits solely within the REC governance.

REC PAB DECISION

The Code Manager recommends REC PAB to approve the updated REC Assessment Criteria for MHHS Qualification for publication.

4.4 NEXT STEPS

Once approved by the REC PAB, RECPAB_24_0625_10B and RECPAB_24_0625_10C will be uplifted to REC Assessment Criteria for MHHS Qualification v3.0 and published on the REC Portal. The Code Manager will also present this at the QWG in July, as per the plan below:



Whilst no further iterations of this document are planned, if additional requirements are identified or existing requirements are materially changed as a result of the MHHS Programme Change Request (CR)

[4] Some Market Participants have volunteered to participate in the end-to-end market testing to help prove MHHS Design whilst testing their systems for interoperability. SIT Participants will use evidence from SIT to meet their Qualification requirements.

[5] Those Market Participants, who have not volunteered for SIT, will conduct role-based Qualification testing with the Code Bodies to prove interoperability with other Market Participants. SIT and Non-SIT Qualification Testing will involve similar test scenarios but will be completed in a different order with different timeframes.

or Design Issue Notification (DIN) processes, the Code Manager will review the requirements and update this document where required.

5 UPDATE ON PRE-QUALIFICATION SUBMISSIONS (PQS) AND QUALIFICATION TESTING (QT) WAVE ALLOCATION

5.1 BACKGROUND

In February 2024, Elexon and the REC Code Manager published a PQS template that all Non-SIT Suppliers and Agents had to complete by 26 April 2024. The PQS requested information from these Non-SIT Participants detailing how they are preparing to complete MHHS Qualification.

The REC and BSC Code Bodies have performed an initial review of all of the PQS submissions and provided feedback to the Parties. In some cases, the Code Bodies requested additional information from the Parties, who were given a set period of time to respond depending on the nature of the request.

In the PQS, Parties noted their preferred QT Wave Allocation; this will additionally be confirmed to participants in the week commencing 24 June 2024.

5.2 QUARTERLY QUALIFICATION PROGRESS UPDATE

5.2.1 PQS RESPONSE RATE

The table below summarises the PQS submissions as of 11 June 2024:

	Expected	Completed		Mitigation		Not Submitted	
	Count	Count	%	Count	%	Count	%
Supplier	97	69	71%	18	19%	10	10%
MEM	24	12	50%	7	29%	5	21%
Total	**121**	**81**	**67%**	**25**	**21%**	**15**	**12%**

The REC Code Manager has worked with Parties to understand their potential mitigating reasons for non-submission, such as Parties who have not yet completed their REC Market Entry hence do not have sufficient information to submit their PQS. The number of submissions for which we have received no response or no mitigation is down to 15 (12%) from 24 (20%) last month.

The REC Code Manager will continue to work closely with the BSC and the MHHS Programme to engage with the remaining parties that have not yet submitted their Pre-Qualification Submission, as well as those submissions where further information was requested. If Parties do not complete their PQS they will not be allocated a Qualification Testing Wave hence will not be able to complete MHHS Qualification.

	PQS Received	PQS Approved		Further Information Required	
	Count	Count	%	Count	%
Total	81	17	21%	64	79%

5.2.2 QT WAVE ALLOCATION

Qualification Testing execution for MHHS will run between February 2025 and December 2025, and will be split into 4 different Qualification Waves as outlined below:

Wave 1: 03 February 2025 to 13 June 2025
Wave 2: 01 April 2025 to 08 August 2025

Wave 3: 02 June 2025 to 10 October 2025
Wave 4: 01 August 2025 to 13 December 2025

As part of the PQS, Parties were asked to note their first and second Qualification Wave preference. The Code Bodies will assess the Parties' readiness and suitability to be allocated to a Qualification Wave as part of the PQS review.

The REC Code Manager has worked with the BSC and MHHS Programme over the last month to ensure that the QT Wave Allocation will facilitate the Programme's migration plan, such as considering whether there will be an appropriate spread of Suppliers, MPANs[6], and Agents qualifying between the different waves.

A large proportion (40%) of Parties indicated that they would prefer to be in the fourth QT wave, although all four waves had Parties expressing interest in entering.

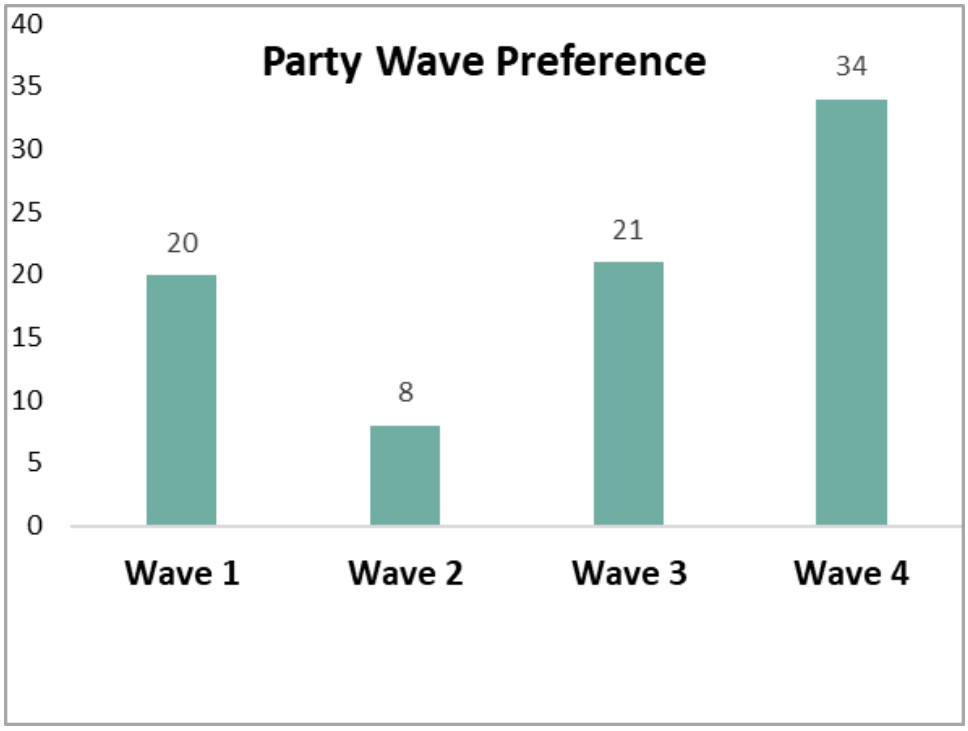


Figure 2:Breakdown of Qualification Wave preferences from the PQS by Party; this includes all REC submissions and 2 submissions in non-REC Roles.

The majority of MEMs entering QT indicated a preference to do so in Wave 1, meaning there will likely be a healthy ecosystem of Supplier Agents throughout the migration period.

[6] To ensure the QT Wave distribution does not create any potential barriers to achieving the migration timescales, we have looked at the current portfolio size of Suppliers and plotted them by allocated QT Wave in Figure 5.

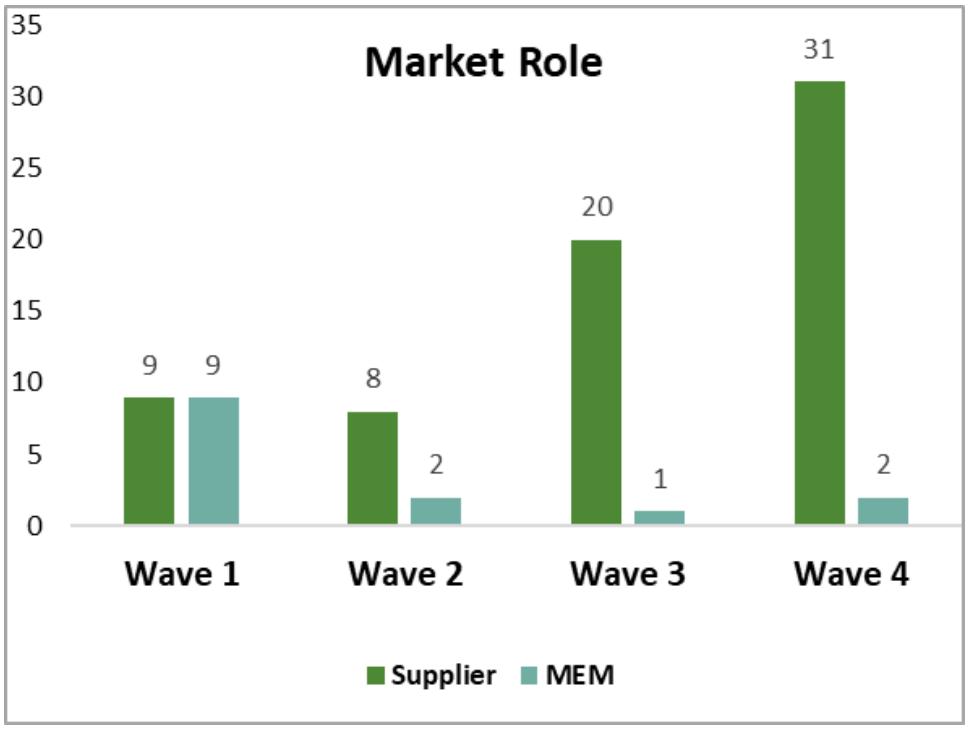


Figure 3: Breakdown of Qualification Wave preferences from the PQS by Party and Market Role; if a Party is both a Supplier and a MEM it will show in both columns

The majority of Parties indicated that they will be placing reliance in some capacity; this does not mean they will not need to complete any testing, only that at least some of the functionality of their systems will be tested by other Participants. There is no significant correlation between wave preference and placing reliance that needs to be rebalanced across the waves.

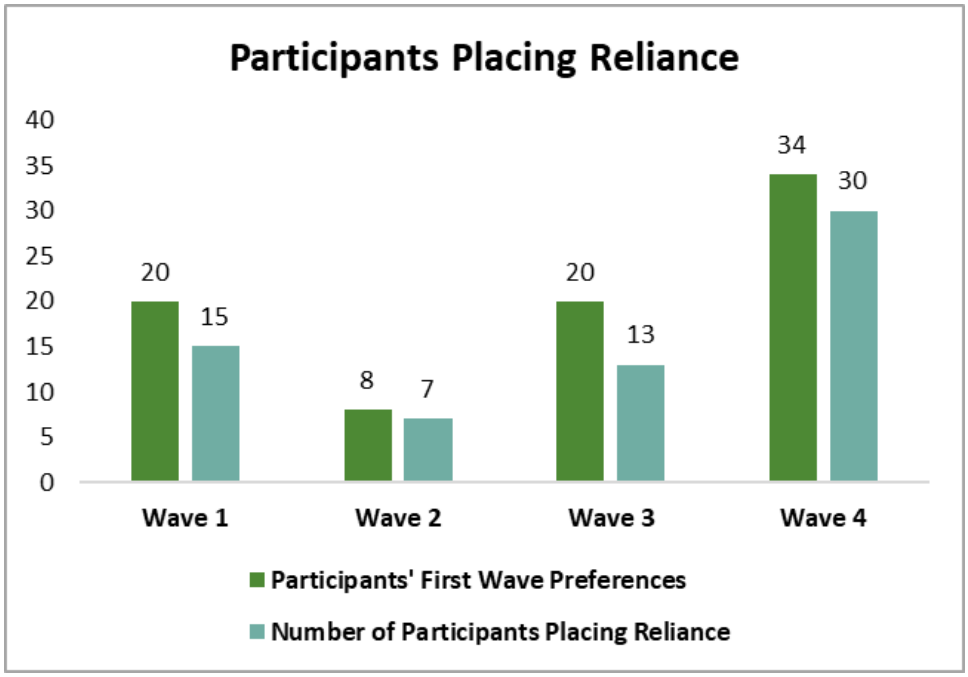


Figure 4: Breakdown of Qualification Wave preferences from the PQS by Party and whether Placing Reliance

Although a significant proportion of Suppliers indicated a preference for Wave 4, these were typically companies with a smaller share of the market, meaning that the majority of MPANs will likely be qualified either through SIT or the first two Qualification waves.

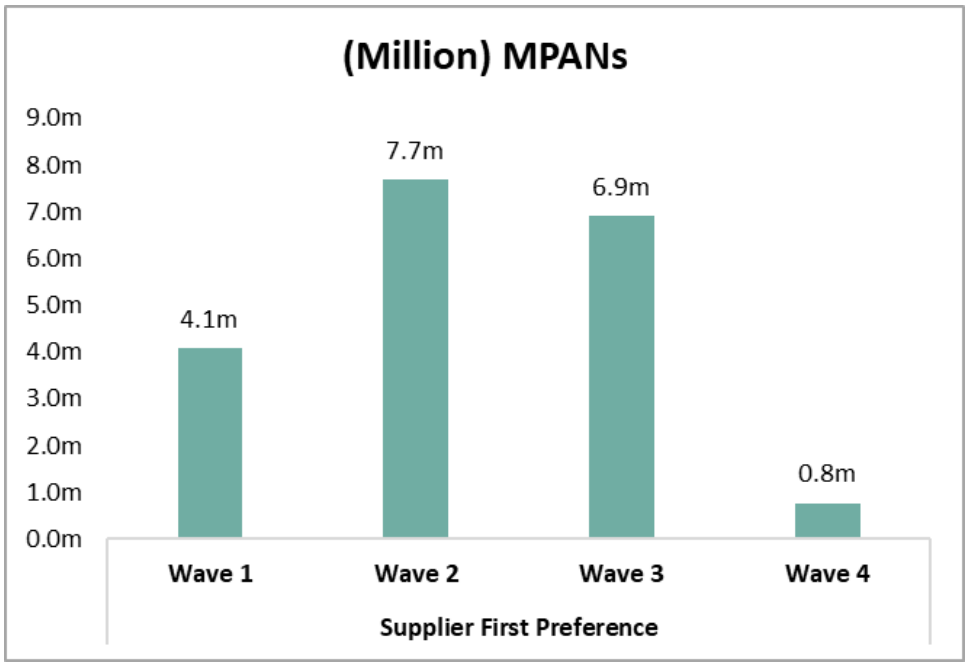


Figure 5: Breakdown of Qualification Wave preferences from the PQS by Supplier's Number of MPANs

5.3 KEY CONSIDERATIONS FOR PAB

Although Parties will be allocated to Qualification Waves, the Code Manager cannot guarantee when a Party will complete Qualification. The QT Wave is when a Party plan to start QT, but the Party's Qualification Approval will depend on their ability to meet the QT entry requirements, and their progress through the QT Wave and their QAD submissions. This is a greater risk for the larger proportion of Parties in Wave 4 as if they do not adhere to the timetables for their Wave, they would need to join the enduring Qualification process.

The majority (30/34) of Parties who would prefer to enter Wave 4 also plan on placing at least some reliance on the testing completed by others. Of these 30, 22 participants are placing reliance on the testing completed by three Third Party Service Providers on behalf of their other clients either in previous QT Waves or in SIT. This leads to a concentration of the risk that these Parties cannot progress through their qualification timetables onto the Parties that they are placing reliance on. The REC Code Manager, along with the BSC and MHHS Programme, will be closely monitoring the progress of these Parties throughout Qualification.