

Dear Harpal,

Many thanks for the opportunity to respond to your consultation on promoting smarter energy markets. We applaud Ofgem's initiative to identify and remove any regulatory barriers to maximising the benefits of smart metering to the consumer.

Having read the consultation, we believe that you have identified the key issues which need to be examined and do not feel that we can add much value at this stage of the consultation other than by making the following comments:

**Time of Use tariffs:** whilst understanding the drivers behind simplifying tariffs, we see more complex tariffs (e.g. time of use, dynamic time of use) as being essential in fully realising the benefits of smart metering. Suppliers are, therefore, faced with the prospect of promoting both simpler and more complex tariffs which may lead to confusion. We agree, however, that the introduction of simplified standard tariffs does not preclude more complex tariffs and could be seen as a first step in educating consumers to better understand more the more complex tariffs that are needed to realise the benefits in the Government's impact assessment<sup>[1]</sup>.

**Demand Side Management:** we agree that the major issue to be addressed in this area is determining a pragmatic, equitable mechanism for reconciling the potentially divergent drivers for demand side response from network operators, suppliers and potentially third parties acting on behalf of the consumer. We believe that the Low Carbon Network Fund (LCNF) has a role to play in addressing this issue and are in discussions with DNOs regarding potential future LCNF projects. The anticipated uptake in new low carbon technologies such as Electric Vehicles and heat pumps is likely to dictate the timescales for resolving this issue.

**Settlement Arrangements:** whilst we have yet to be convinced of the business case for a mandated move from non half-hourly to half-hourly settlement, we believe that suppliers should be able to settle domestic customers half-hourly if they so choose (e.g. in support of a dynamic time of use tariff not easily implemented under non half-hourly settlement). As such, the artificial barriers that currently prevent such a change of Measurement Class that you have identified in your consultation (e.g. BSUoS fees, DUoS charges, metering Codes of Practice) should be removed. That said, we believe that non half-hourly settlement is fit for purpose for smart tariffs until such times as dynamic time of use, critical peak and demand side management products emerge as it is relatively easy to define new multi-rate Standard Settlement Configurations under Profile Class 1 that can accurately model traditional time of use tariffs.

We are aware that ELEXON is currently consulting on the costs and benefits of moving domestic meters to half-hourly settlement<sup>[2]</sup> and have long advocated the analysis of existing smart meter half-hourly data, such as that acquired either through the Energy Demand Research Project, to provide quantifiable evidence to support this consultation.

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<sup>[1]</sup> <http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/2549-smart-meter-rollout-domestic-ia-180811.pdf>.

<sup>[2]</sup>

[http://www.elexon.co.uk/Elexon%20Documents/Profiling\\_and\\_Settlement\\_Review\\_CBA\\_Impact\\_Assessment\\_PCs1\\_to\\_4\\_Consultation.zip](http://www.elexon.co.uk/Elexon%20Documents/Profiling_and_Settlement_Review_CBA_Impact_Assessment_PCs1_to_4_Consultation.zip).

**Change of Supplier Process:** we agree that the availability of more accurate, timely meter readings from smart meters will improve the CoS process, leading to fewer objections and further improvements in the process should be possible when registration is absorbed within the DCC. Given that the cooling off period is likely to be the determining factor in the time required for a consumer to change supplier, we would question the business case for a D+1 CoS.

**Data Processing and Aggregation:** we agree that it would make sense for data processing and aggregation to be centralised. Having designed and built over 50% of the NHHDC systems currently in use within the market, we are aware that they were never sized with smart meters in mind and that even a move to monthly settlement has the potential to cause performance issues. Providing a single, central smart settlement solution appears to be the most cost-effective means of accommodating smart-driven changes in electricity settlement.

[1] <http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/2549-smart-meter-rollout-domestic-ia-180811.pdf>.

[1]

[http://www.elexon.co.uk/Elexon%20Documents/Profiling and Settlement Review CBA Impact Assessment PCs1 to 4 Consultation.zip](http://www.elexon.co.uk/Elexon%20Documents/Profiling%20and%20Settlement%20Review%20CBA%20Impact%20Assessment%20PCs1%20to%204%20Consultation.zip).

Best regards,

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