# Settlement timetable

Settlement expert group

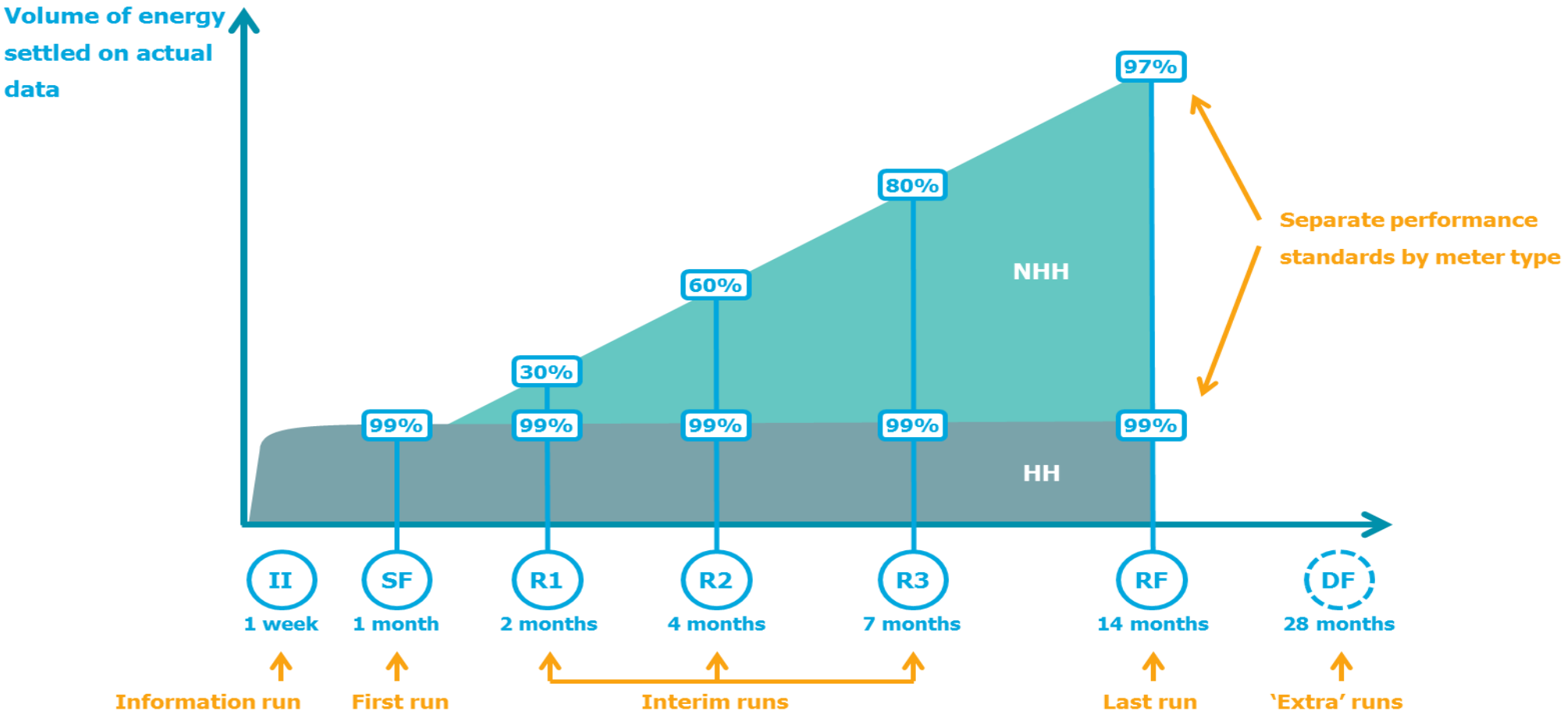
10 July 2014

# Introduction to timetable

ELEXON

# Recap of the first meeting

- We gave an overview of the current timings and the variables that could be changed.



# Recap of the first meeting

- We initially discussed the II run and the group agreed that:
  - There was value in it for error identification
  - It was already early with data aggregation after 3 working days

- The group felt that it would be more useful to discuss the key considerations and constraints to settlement run timings rather than the individual elements. We discussed:
  - Errors - Legacy errors, theft, MOAs costs for sooner reconciliation, and that the timing did not necessarily reduce the amount of error just the time available to address it.
  - Speed of data retrieval – DCC performance and Comms. Hub fault correction.
  - Generation – Generators' requirements will also require consideration. e.g. they may value the II run more than Suppliers.
  - DP/DA processes – did not constrain the speed of Settlement but there may be a cost trade off.

# Recap of the first meeting

- The Final Settlement Run – the group discussed the benefits of bringing it forward:
  - Benefits to new entrants from financing
  - Little change after 3 months in current HH market
  - We should also consider less than 3 months and 6 months
  - We should look at international comparisons
  - We should look at Supplier experiences from their Smart meter/ Trials and portfolios
  - We also agreed there should be a mechanism for adjustments after the final run
  - Performance standards would need to be reviewed in light of any changes.

We agreed that ELEXON would work with Ofgem to develop a range of options for this meeting.

# Objectives

- To verify that we have a sensible range of options
- To seek views on our initial assessment against the evaluation criteria

- Evidence to inform discussions
  - Supplier experience of smart performance (British Gas, Utilita)
  - DCC performance standards (DCC)
  - Settlement timetables in other markets (ELEXON)

# Evidence to inform discussion

British Gas, Utilita, DCC and ELEXON

# Settlement timetables in other markets

ELEXON

# International evidence

| | California | Australia (Victoria) | Texas | Sweden | Finland | Alberta | Ireland |
|---|---|---|---|---|---|---|---|
| Smart metering? | Yes | Yes | Yes | Yes | Yes | No | No |
| Interval settlement? | Yes | Yes | Yes | No | In the future | No | In the future |
| Information run | | +5WD | | +2-12 days | +2-12 days | +3WD | +1WD |
| **First run** | **+3WD** | **+18WD** | **+5 days** | **+13 days** | **+13 days** | **+1 month** | **+5WD** |
| Interim runs | +12WD | +20 weeks | +55 days | | | +2 months | +4 months |
| **Last run** | **+55WD** | **+30 weeks** | **+180 days** | **+ 3 months** | **+1 year** | **+4 months** | **+13 months** |
| Extra runs | +9, 18, 35, 36 months | Ad-hoc | Yes | No | No | No | Yes |
| Financial adjustments | Yes | No | No | Bilateral | Bilateral | Yes | No |

# Points to note

**First run**

- **No later than one month**
- The first run in Texas was originally after 3 days, then it moved out to 17 days and is now 5 days

**Last run**

- **Usually by 6 months with smart metering**
- Texas will only issue bills for the last run once performance targets are met

**Non-timetabled changes**

- **Mixture of extra runs and financial adjustments**
- California has four scheduled extra runs
- Texas has a market-wide trigger for extra runs (2% impact on total payments)

**Other**

- Most markets issue weekly or monthly bills
- Nordic rules have multiple information runs

# Reform options

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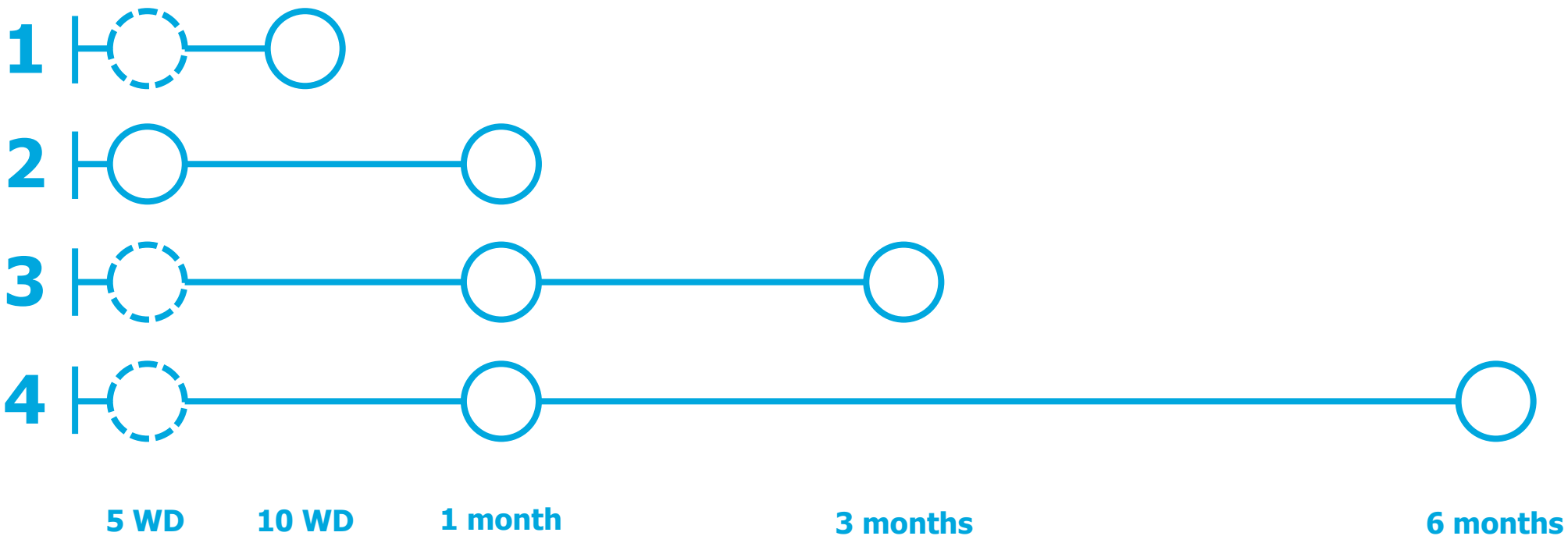
# Our approach

- Two key questions
  - How long should settlement take?
  - Should there be changes after the last run?

- We selected options that allow us to test different features. This provides a range of options with different outcomes.
- Keep changes after the last run as a separate item for now as we feel it warrants further discussion.
- We will look at performance standards later. We believe that these can be developed once we have a clear set of options.

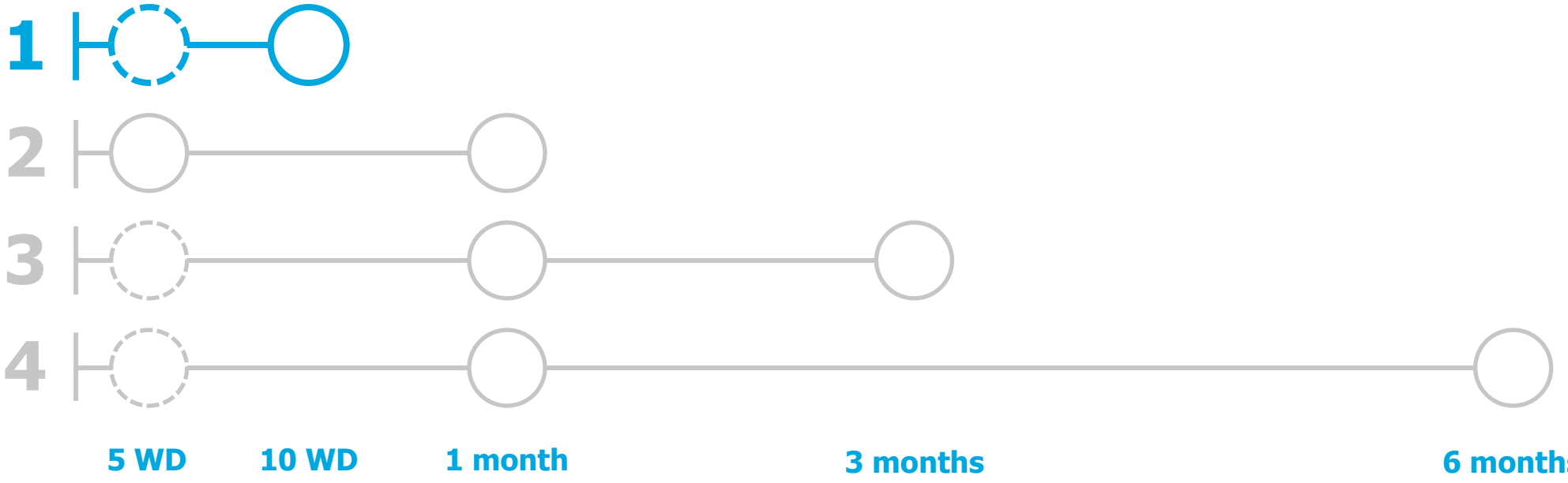
# The options




Information run

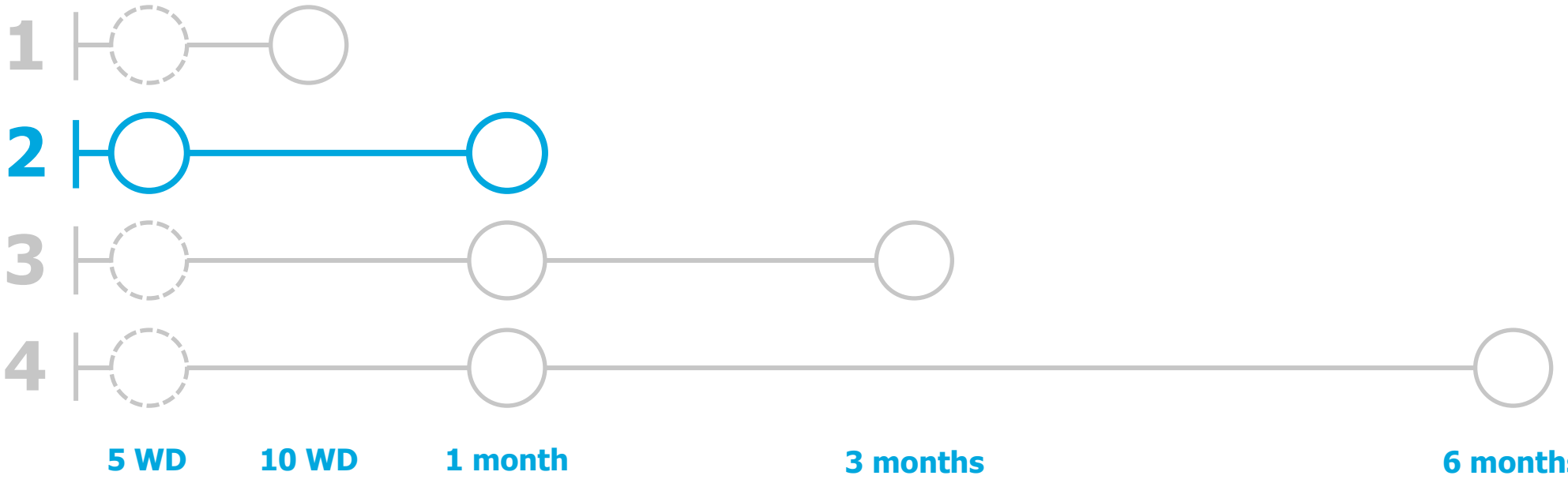
Settlement run

# Option 1



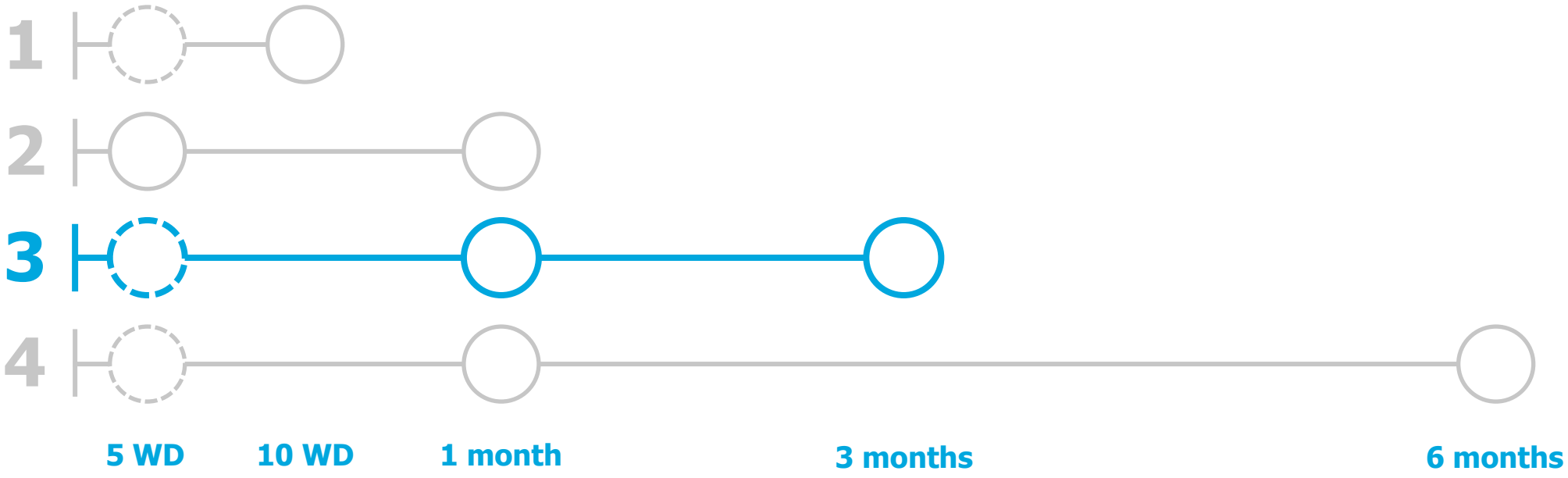

| Good for | Less good for |
|---|---|
| Speed | Accuracy (costs) |
| Simplicity | Integration |
| Flexibility | Implementation |

# Option 2



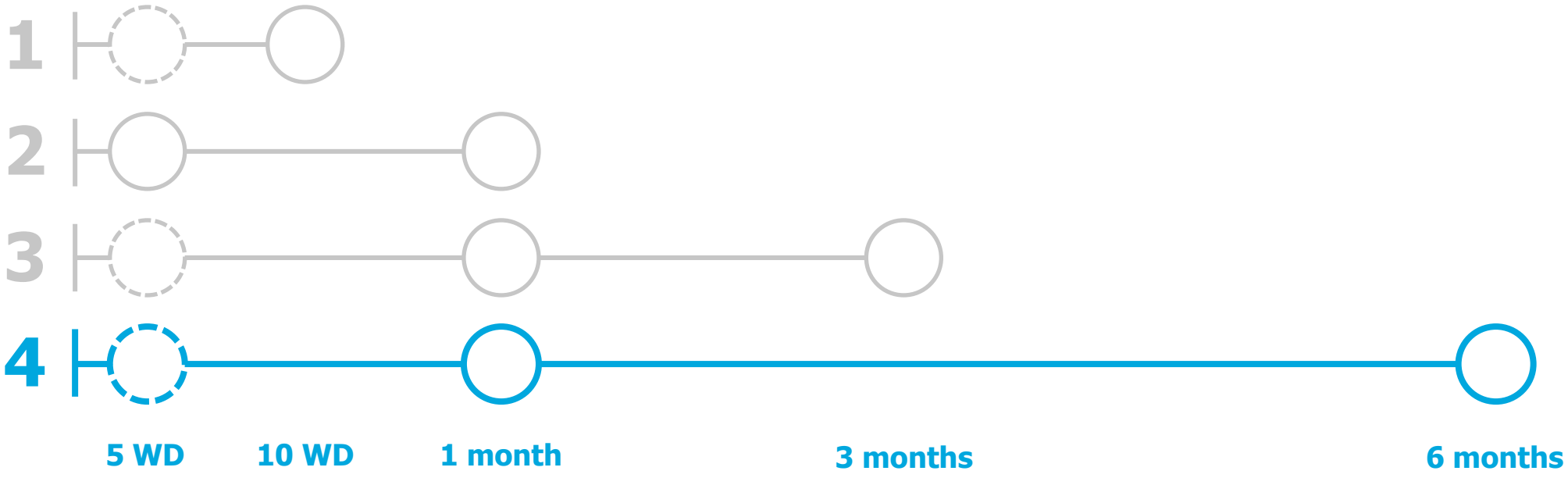

| Good for | Less good for |
|---|---|
| Speed | Accuracy (costs) |
| Simplicity | Costs – Capital |
| Costs - Credit | Integration |
| | Implementation |

# Option 3




| Good for | Less good for |
|---|---|
| Accuracy (costs) | Speed |
| Integration | Simplicity |
| Implementation | |

# Option 4




| Good for | Less good for |
|---|---|
| Accuracy (costs) | Speed |
| Integration | Simplicity |
| Implementation | Flexibility |

# Questions

- Are these a sensible range of options?
- Does the group agree with our initial assessment of the options?
- Are there any other options which the group wishes to consider?

# Changes after the last run

- The expert group recognised the need for a mechanism to correct errors present in the last scheduled settlement run – we see two basic options:

| Extra settlement runs | Financial adjustments |
| --- | --- |
| • **Transparent**<br>• **Can validate using standard processes**<br>• **Most accurate** | • **More expensive?**<br>• **Slower** |

- Does the decision depend on how often they will get used?
  - Very short timescales may lead to more unscheduled changes, with them becoming a de-facto part of the standard timetable
  - Do big, frequent changes require a more robust solution?
- Should there also be a mechanism for changes between scheduled runs?

# Next Steps

- Refine the options based on expert group feedback
- Add provision for changes after the last run to the options
- Perform a more detailed qualitative assessment
- Present back to the expert group