

Electricity Settlement Expert Group: Meeting 7

Minutes of the seventh electricity settlement expert group meeting.	By	Ofgem
	Date and time of meeting	13:00-16:30 12 November 2014
	Location	Ofgem

1. Welcome and introductions

- 1.1. Jonathan Amos (JA) welcomed the members of the group to the seventh meeting. Attendees are listed in Annex 1.
- 1.2. JA said that all materials for the meeting would be published on the website, [here](#).

2. Review of minutes from meeting six

- 2.1. JA said that Ofgem had received one comment on the minutes in advance of the meeting. This was that paragraph 4.8 should be expanded to explain that suppliers could receive data from the DCC according to one schedule but choose to process it at a different, more cost-efficient schedule. JA said that the minutes had been updated to reflect this point.
- 2.2. One member said that paragraph 3.4 should reflect comments in the meeting that suppliers may require access to half-hourly (HH) data for the purposes of tariff development. JA said that the minutes would be updated accordingly.
- 2.3. On action 2a, JA said that DCC had given apologies for the meeting and had indicated that there was no update to give on consultations. He closed the action since it was the final meeting.
- 2.4. On action 5a, FJ explained the current situation around accessing historical HH data on change of supplier, although noted that for the purposes of the project the assumption remained that suppliers would have access to HH data for settlement. A separate discussion was how far the definition of 'settlement purposes' should go.
- 2.5. FJ said that there was no technical barrier to the new supplier accessing the historical HH data: it is not deleted on change of supplier. Additionally, in the current data privacy licence conditions, no distinction is drawn between historical HH data (under the old supplier) and new HH data under the new supplier.
- 2.6. A group member suggested that a related point was about suppliers accessing HH data *before* becoming the new supplier. He said that under DCC rules they would be able to do so for just one month's worth of data, given the customer's opt-in consent. Another member agreed that this was relevant and said that access to the full 13 months would be better, for the purposes of quoting tariffs etc. A third member agreed and said that it was beneficial to consumers since it would enable suppliers to put them on the best tariff. This would be especially true if time-of-use tariffs became prevalent. The point was made that the uncertainty of not having the customer's historical HH data would theoretically cause suppliers to charge a risk premium for that customer.
- 2.7. Subsequent discussions with DECC have clarified that any supplier can - via the DCC - access any data of consumers who are not their customers, provided they have explicit consent from the consumer and they are registered with the DCC as an 'Other User'. To

register as an Other User they will have to go through the privacy auditing process set out in the SEC.

2.8. FJ said that suppliers' preference for accessing historical HH data on (and before) change of supplier would stay on Ofgem's radar when taking forward the work on data privacy. JA closed the action.

3. Discussion on the settlement of export

3.1. JAS introduced the topic (slides 4-11 [here](#)). He explained that in previous meetings some members had argued that all export should be settled against HH data from smart and advanced meters. Therefore, the aim of the discussion was to outline the current Balancing and Settlement Code (BSC) and Feed-in-Tariff (FIT) rules for export, and to seek views from the group on potential issues which could arise from the settlement of all export on HH data.

BSC export rules and Feed-in-tariff rules

3.2. JAS spoke to slides 6-7 which outlined the current BSC export rules and FIT rules. He explained that those who sign up to the FITs scheme are called generators and the electricity suppliers who pay the generators are called FITs licensees. JAS also explained that generators are paid for both energy they generate and energy they export. If a site has a capacity of 30kW or more the export tariff must be based on actual meter readings. If the site's capacity is below 30kW the export tariff is deemed to be 50 percent of the site's generation.

3.3. One member of the group questioned whether the majority of generators who have their export deemed (which is around 96.5% of those signed up to the feed-in-tariff) would be below the 30kW threshold. JAS and Chris Wood (CW) clarified that, in fact, most generators produce less than 4kW and so they confirmed that the vast majority do have their export deemed. They signposted this member to the FITs register which contains data on every FITs installation.

3.4. Another member explained to the group that it would be possible for a generator to be paid by a FITs licensee, which would be different from their import supplier. This member explained that this situation could arise if the consumer switched import supplier after they signed up to FITs.

3.5. JAS raised the point that where a site has a meter capable of recording export, then meter readings must be used as the basis of export payments, even if that site's generation capacity was below 30kW. JAS also clarified that if metered, generators may receive less for their export payment than if it were deemed.

3.6. Another member asked if all export meters were registered with an export MPAN. CW confirmed that this was his understanding and went on to inform that even if a site has its export metered, the FITs licensee can still choose not to register it in settlement. Some group members thought that if a site has an export meter and an export MPAN it would necessarily be registered in settlement, even if a default value rather than the actual read was used.

Relevance for the settlement project

3.7. JAS spoke to slides 8 and 9 which set out the relevance of export to the electricity settlement project. He explained that SMETS 2 meters are able to record export HH and this could deliver benefits for consumers. For example, there would be the potential for generators to be offered products which reward them for using the energy they generate

onsite, or to export it back to the grid, based on the system conditions. JAS also stated that uptake of FiTs is well above the predicted level, as originally calculated by DECC. He argued that if this trend continues, it could result in increased spill which could make forecasting more challenging.

3.8. A member of the group asked for clarification on the capability of SMETS 2 meters to record export. JAS responded that SMETS 2 meters would have the capability to record three month's worth of export HH data on the profile log and could also record cumulative export on the register.

3.9. Another member of the group questioned how a Supplier Agent would be able to gain access to the HH export meter readings, generated by the FIT customer. A different member responded that Supplier Agents would be able to access export data through the DCC, in the same way that they are able to for import data.

3.10. Another member highlighted an issue to the group that had transpired through deeming FIT generators. The member explained that this had created a disincentive for generators to rectify faults in certain situations.

Issues for the group to consider on settling export half-hourly

3.11. JAS spoke to slide 10, outlining issues which could arise from the settlement of export against HH data. He noted that there could be data privacy concerns at sites where the FITs licensee and import supplier are different parties. In such a situation, due to current technical constraints, parties may be able to access HH data not relevant to the service they provide. Furthermore, JAS highlighted that settling export would result in many more export MPANs being registered. He said this could drive up costs and it was not clear how these would be passed on to consumers. JAS informed that these issues, while worth noting, were not in the purview of the settlement project to resolve. He asked the group for comment on these issues and if there were others which need to be considered if all export is to be settled against HH data.

3.12. A member expressed concern over the data privacy issue which JAS raised, suggesting that this could be handed over to the DCC to mitigate. JAS agreed and informed that Ofgem had already raised this issue with both the DCC and DECC and understood that work was underway to address this issue.

3.13. A different member endorsed the proposal that all export should be settled against HH data but suggested that the issue warranted further discussion at a later stage of the project due to the data privacy concerns that had been highlighted.

3.14. A member highlighted that Distribution Network Operators (DNOs) currently had limited visibility of generation sites and this affected the planning of reinforcement work on their networks. This member said that there needed to be a more robust mechanism for parties to share information on the location of generation sites. CW agreed that the locations of FIT installations are not always known, and that there needs to be a process whereby the location can be shared by suppliers. It was agreed that this was not an issue for the settlement project to rectify, but if all export were to be settled, this would help the DNOs visibility of generation sites. The member also highlighted that further clarification would be needed around the costs of registering new MPANs.

3.15. Another member also agreed that settling all export against HH data was the right ambition, but raised concerns over whether this would be possible in reality due to the complexity of some generation sites. The member extrapolated that difficulties may arise when installing smart meters at these sites due to how generation sites are wired.

3.16. A different member of the group questioned what the implications on the settlement project would be if Ofgem did not propose to settle export against HH data. Another member answered that it made sense for the policies on import and export to be aligned; they warned that if they are not then it could reduce the benefits of using HH data in settlement.

3.17. JA thanked the group for their contributions. He asked the group if, following the discussion, they were in agreement that the settlement of export with HH data should remain in the scope of the project and therefore any impact assessment would need to consider the costs and benefits of this. The group broadly agreed. He also confirmed with the group that none of the issues highlighted on slide 7 or that had been raised, needed to be addressed as a priority by the settlement project next year.

4. Conclusions of stage one of the project

4.1. FJ presented a summary of Ofgem's conclusions from the first stage of the project (slides 12-27, [here](#)). A paper had been circulated in advance of the meeting ([here](#)). FJ led a discussion of the conclusions in order to gather their comments on the text and to check for accuracy where the group's views were cited.

4.2. On slide 16 an attendee suggested that the need for quantification of the costs and benefits to deliver a robust business case for change should be made more prominent. Several other members agreed with this point. On the same slide and in light of the earlier discussion on export, one member said that it should be made explicit that the ambition applied to both import and export consumption.

4.3. On slide 17, a group member suggested that the hybrid option that is referred to should be explained: it was competition between a central agent and independent Supplier Agents. The member pointed out that there are other forms of hybrid solutions, such as certain functions being exclusively carried out by a central agent (eg, data aggregation), with other functions being left to the market.

4.4. One member suggested that changes to the market structure of Data Processing and Data Aggregation (DPDA) functions was not critical to the settlement reforms and this should be reflected in the conclusions. Another member agreed, stating that it was a broader issue than settlement and by including within this project there was a risk of limiting its scope to a settlement perspective.

4.5. However, a different member pointed out that Ofgem were not implying that settlement reform was necessarily dependent on DPDA reform. An impact assessment which incorporated DPDA could conclude that HH data should be used but that DPDA reform was not required. They were exploring different ways of making the settlement process more efficient. The member added that it would be remiss to dismiss the option of DPDA reform without conducting a cost benefit analysis of it.

4.6. Also on slide 17, one member said that it was important to make clear that the pros and cons of the DPDA options were anchored in the future smart world, rather than being driven by problems with today's NHH arrangements.

4.7. On slide 19, a group member suggested that paragraph 3.08 in the paper was worded too strongly: it would be better to say that the current procedure 'may not be wholly appropriate'. Additionally, the following sentence was redundant. Another member agreed with this point.

4.8. On slide 21, one member suggested that the key issue was not SMETS 2 restrictions on one-way communications but the point about the need for scheduling. It was a wider

issue than HH data reads and applied to other supplier-meter communications such as tariff updates. However, another member said that it was important to capture the point that changes to SMETS 2 would be costly. Additionally, an attendee pointed out that one of the ways in which data quality is maintained in the current HH market is for the Data Collector to perform some validation at the point of receiving the data. The 'meter reading' in paragraph 3.15 could therefore include more than just receipt of the HH data.

4.9. On slide 22, one member queried whether interactions with other projects in Ofgem's Smarter Markets Programme should be referenced. JA agreed that there may be important linkages, for example with demand-side response. However, the conclusions highlighted the projects with known industry implementation schedules that may overlap with implementation of settlement reform. FJ pointed out that it was not an exhaustive list and Ofgem were aware that other reforms that would interact with settlement may come onto the agenda in the future.

4.10. Members suggested that the electricity balancing significant code review (EBSCR) may interact with settlement: JA said that the EBSCR reforms ought to be in place before implementation of settlement reforms began. Another member pointed out the unknowns around the Competition and Markets Authority investigation.

4.11. On slide 24, a group member suggested that the wording around the current Change of Measurement Class (CoMC) process be changed to 'not wholly appropriate'.

4.12. On slide 25, several members put forward reasons why it may be in consumers' interests for suppliers to have access to HH data: they could offer better tariffs; it could be easier to detect theft; and it may give greater visibility of demand-side response actions.

4.13. On slide 26, one member said that the wording could better reflect the thought that the key cost driver was the use of HH data in settlement rather than for other purposes.

4.14. On slide 27, several members made the point that the first option listed, of having no mechanism for disputes, was not desirable. The group was of the view that recourse to litigation to resolve disputes should be avoided.

4.15. Making a general comment, one member suggested that Ofgem capture the sentiment that these reforms would have different costs and benefits to different parties. Moreover, they were enabling reforms, opening the door to different companies responding with different behaviours.

5. Follow-up discussion on 2015 priorities

5.1. JAS spoke to slides 28-35, [here](#). He outlined Ofgem's proposed priorities for 2015. The group were broadly in agreement with the work areas highlighted.

5.2. On the CoMC process (slide 32), JAS elaborated that several issues with the current process were likely to be resolved by smart metering and the DCC.

5.3. One group member said that although issues and solutions to these had been identified through ELEXON's 2014 work on Issue 49, this was not anchored in the smart world. This member argued that the process was still reliant on manual processes and complicated by a large number of data flows.

5.4. JA suggested one approach that Ofgem could take would be to map out what the CoMC process might look like in the future smart world. ELEXON's work had been looking at issues in the current world with a focus on facilitating elective HH settlement.

5.5. A group member agreed that it would be useful to help understand any issues that may not have been brought to light already. JAS pointed out that there were complexities around simultaneous CoMC and change of meters at present. He said that the approach taken to designing the process could be to assume that a smart meter has been installed before the CoMC takes place.

5.6. One attendee expressed the view that it would be necessary to design a new process from scratch, starting with a definition of requirements. The group agreed.

5.7. Another member said that a key requirement of the new process would be that it is suitable for bulk transfers of customers. This had been done for other BSC processes. A different member added that there may be new steps to build in for smart meters, such as data privacy checks.

5.8. On slide 33, JAS explained Ofgem's proposal to conduct further analysis on data collection and data aggregation (DCDA) functions. He said that whereas before the group had discussed DPDA (DCDA minus data retrieval) the scope of this work would be widened to include data retrieval because it would be looking at the agent model holistically. One member suggested that it may make sense to complete the work on DCDA before the work on CoMC, since the question about who is undertaking the functions may affect how the process is designed. Another member pointed out that the initial work on DCDA would still leave several possible options on the table. The CoMC work may need to develop a different process for each of the DPDA models still on the table. The first member agreed, but said that the options may at least be fewer and more detailed.

5.9. On slide 34, in relation to meter accuracy, one member agreed that it was an important issue and added that there was a potential new risk if there were a very small number of smart meter models. If a model were inherently biased in a particular direction, it would skew the total volumes. Another member expressed the contrary view that there was likely to be natural offset of biases with smart meters, just as there was today with NHH meters.

5.10. JA asked if the group thought that now was the right time to conduct work on meter accuracy. One member said that it was since SMETS 2 was already known. Several group members suggested that the solution might be that the BSC metering code of practice should be changed for smart meters or that a new code of practice be created.

5.11. Also on slide 34, on the distributional analysis point, one member cautioned that the EDRP data may not be of use for distributional analysis if it is anonymised. This would prevent the identification of the effects on different types of households. He also cautioned that it was nearly all data from customers in Profile Class 1. JA said that Ofgem's work would look to use the EDRP data but would be built on its existing work.

5.12. JAS added that there were other potential sources of data such as the Low Carbon Networks Fund.

5.13. A group member asked who would undertake this work. JA said that the internal Ofgem governance had yet to be decided. Three projects under the Smarter Markets Programme all have an interest in this work. The settlement project would feed in its requirements to the work and the outputs would be used in the impact assessment. JA confirmed that the business case for settlement reform could continue to be owned by the settlement project team.

5.14. Still on slide 34, in relation to the data access and privacy framework, JA elaborated that Ofgem was not proposing to look at changes to licences at this point. This would follow the impact assessment.

5.15. A group member suggested that Ofgem contact the 'Independent Competent Organisation' which would be appointed by the SEC Panel and responsible for auditing third parties' data privacy arrangements. This contract was currently out for tender.

5.16. Another member stressed that it would be important to get a definitive answer from the Information Commissioner's Office (ICO) on the possibility of changes. JA clarified that the Authority was the competent authority to make the licence changes; however the ICO would give a higher level view on the appropriateness of any changes. One member asked if any changes would be consulted on. JA said that the normal process for making licence modifications would need to be followed.

5.17. A member made the point that suppliers were also bound by the Data Protection Act – they would need assurance that any changes would comply with it. JAS pointed out that the data access and privacy framework was an interpretation of the Act and therefore changes to it would have to be consistent with the latter.

5.18. JAS closed the discussion by indicating that an open letter containing conclusions and next steps would be published in December. A group member asked if an indicative timescale with respect to a request for information (RFI) would be given in the letter. JA said that it would: an RFI would not be issued at the same time as the letter but most likely in Q1 2015. He clarified that the RFI would be targeted to assist with the work on DCDA – an RFI for an impact assessment could follow later in the year.

5.19. A group member said that it would be helpful for Ofgem to map out these high-level milestones in the letter.

6. Wrap up and close

6.1. JA closed the meeting, saying that the group had achieved a lot over the course of the meetings and that Ofgem were very grateful for the input of its members. He said that the exact form of stakeholder engagement in 2015 had yet to be decided but that Ofgem may decide to reconvene the expert group if required at certain points in the project.

Annex 1 – Attendees and apologies

Group members

Jonathan Amos (Chair)	Ofgem
Andrew Bard	MRASCo
Andy Colley	SSE
David Crossman	Haven power
Eric Graham	TMA
Harish Mistry	EDF
Hazel Ward	Npower
John Christopher	DECC
John Lawton	ENW
Kevin Spencer	Elexon
Mark Bellman	Scottish Power
Paul Akrill	IMServ
Rachael Burn	E.ON
Sara Bell	UKDRA
Tabish Khan	British Gas

Ofgem attendees:

Francis Jackson
Jeremy Adams-Strump
Christopher Wood (attended part only)
Greg Jenkins (attended part only)

Apologies:

Chris Alexander	Citizens Advice
Jonathan Bennett	DCC
Robert McNamara	TechUK
Paul Pettitt	Electralink
Simon Bevis	Utilita
Steven Bradford	Flow Energy
Tony Diccico	ETI