

Electricity settlement project – update and next steps

Jonathan Amos – Ofgem

We are seeking your views on priorities

- Recap on project
- Progress made in 2014
- Initial findings
- Priorities for the project
- Next steps

- Electricity settlement places incentives on suppliers to buy energy to meet their customers' demand in each half hour
- Ofgem considers it is in consumers' interests to be settled using their HH consumption data
- Our project is examining how this can be achieved for domestic and smaller non-domestic consumers
- This year, we explored the options for optimising the existing HH process so that it can accommodate more consumers

We have engaged extensively with stakeholders

- We set up an expert group to help us develop options with representatives from the range of organisations with an interest in settlement reform
- Group has met six times and all materials have been published on the [Ofgem website](#)



Suppliers



Citizens Advice



Central bodies



Electricity North West



Supplier Agents



Demand Response
Association



Technology companies



Department of Energy and
Climate Change

We are grateful for the positive and constructive input provided by all members

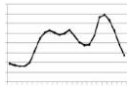


Developed analytical framework

Explored options for:



Settlement timetable



Estimating data for consumers with smart and traditional meters



Data processing and data aggregation



Correcting errors after the final settlement run

E

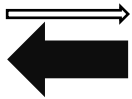
Error – approach in a smart world



Agreed approach to developing reform packages



Identified key considerations for transition and interactions with other reforms



Export – options for settling export in smart world (scheduled for seventh meeting)

- The expert group agreed that using HH data in settlement is an appropriate goal
- Productive discussion on options for reform – key points:
 - expert group agreed that the settlement timetable could be shortened significantly (with reform implemented in stages)
 - mixed views on the future of data processing (DP) and data aggregation (DA) functions, particularly merits of centralisation
 - options for DP/DA and transition will be the primary drivers of cost
 - big changes to suppliers' systems and processes required, which will interact with other regulatory reform

- The expert group also identified areas for further consideration:
 - detailed DP/DA requirements
 - the Change of Measurement Class process that is used to transfer customers to settlement using HH data
 - detailed process for estimating consumption when HH data is not available
 - accuracy of smart meters for settlement
 - access to HH data
 - distributional impacts
 - costs for suppliers
 - benefits for consumers

Initial view is that further work is required on options

- We consider that the priority is to:
 - review the Change of Measurement Class process
 - identify detailed DP/DA requirements (partly to inform option to centralise these functions)
- This lays the foundation for robust cost assessment of using HH data in settlement
- Analysis on benefits of options plus distributional impacts could follow after cost assessment or happen in parallel

- We welcome views from the SMCG on our initial prioritisation of work

We intend to publish our plans for 2015 in December

- We intend to discuss our 2015 plans in more detail with the expert group at its final meeting on 12 November 2014
- We plan to publish a letter in December 2014 that describes:
 - conclusions from our work this year
 - plans for 2015