

Half Hourly Settlement  
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## **The Renewable Energy Company Ltd (Ecotricity)** **Feedback on the Half Hourly Settlement Open Letter**

Dear Áine Higgins Ní Chinnéide,

Ecotricity is an independent renewable energy generator and supplier, with over 170,000 gas and electricity customers; 59 wind turbines and the country's first large scale solar park.

Smart metering is something we have long been excited about, and we recognise the many benefits of half hourly (HH) settlement. Together, they have the potential to not only provide more accurate billing, but to fundamentally change people's behaviour regarding energy usage. However, we also have a number of concerns with the elective implementation of HH settlement which we have set out below in the hope that they will provide valuable information and insight into the barriers small suppliers will face.

### Costs:

- The cost of data storage for HH readings will increase dramatically per customer.
- Currently, we are charged for every single reading, as the data is sent via mobile network and therefore receives a standard charge. This is not a cost small, independent suppliers would ever be able to manage whilst retaining practicable prices for customers. The data should instead come to suppliers through the DCC, displacing the network charge costs. Alternatively, Government should mandate the mobile network costs suppliers would face for obtaining the HH read data required for HH settlement, keeping them at a manageable level.

### Charging methodology:

- Distribution charges for small users are standard over all periods, including day/night. This means that a true Time of Use tariff would not be possible.
- The methodology for charging (at all levels, not just Distribution) will need to change in order to make effective Time of Use tariffs.
- We are also concerned with how to communicate these pass-through costs to customers – the charging methodology is complex and difficult to understand and explain.
- Given that domestic customers would not want to have direct contracts with Mops, we suggest that the relationship between suppliers, meter operators and customers be addressed.

### Forecasting and Settlement:

- Currently, we forecast our larger HH settled sites individually, and all smaller sites are forecast according to their profile class. To forecast all smaller sites individually would be much more complicated, require more staff and more advanced technology. This would be a significant cost to the company.
- From a settlement perspective, managing the increased amount of data within the timeframes required will be challenging, especially if there were any errors.
- There are also increased risks of trading imbalance with HH as opposed to profile settlement. With the recent trading changes under BSC modification P305, this has the potential to negatively affect smaller suppliers with less trading involvement or capability.
- As a stepping stone between non- and HH settlement, there could be an option to settle on profiles that are more specific. This would require the Authority to pull a sample of HH data and create a greater number of profiles that are much more specific to different lifestyles. This would keep some NHH methodology, whilst improving profile and settlement accuracy.

### Implementation:

- If we moved to HH settlement, we would want all HH sites to be with a single agent so that we can ensure we have the data in one place, in one format and for a more competitive price. However, this would raise issues with timing of agent appointment, which all suppliers and agents would experience if the implementation of HH settlement was mandated.
- Changes would have to be made to the Change of Measurement Class (CoMC) process to make it automated. The manual process was a real problem for P272 migration, and will be near-impossible for migrating domestic customers because of the higher numbers. Aside from affecting suppliers, this would have a major impact on Elexon, and the costs of managing it would be passed through to the customers.
- Certain business-critical systems (such as data flow management systems) weren't designed to manage HH settlement, and do not cope with it well. This has a major impact on supplier ability to implement HH settlement.
- Within the company, every different team and department will need to be using the same data source because of the increased volume of data – this would require a major company-wide systems and process update, with serious financial implications.

## Switching Sites:

- We are concerned that with Time of Use tariffs and HH settlement, tariffs would no longer be adequately comparable. This would significantly reduce the accuracy of switching sites and cause significant customer frustration.

## NHH Settlement Legacy:

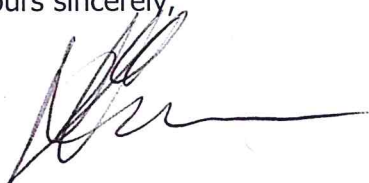
- All suppliers will need to operate both NHH and HH settlement systems because there will always be legacy NHH meters.
- Those customers without smart meters would get worse deals, even if it was not their fault they could not have one installed.
- Currently, suppliers cannot refuse to supply electricity to a domestic customer. This would become a problem if the market became dominated by smart meters, but certain customers still refused a smart meter, or location made it impossible. New small suppliers with no legacy of NHH settlement would not be able to manage to implement both NHH settlement.

## Conclusion:

The benefits of smart metering and HH settlement have the potential to be significant for industry and customers alike. However, there are significant barriers to HH settlement implementation, mainly centred around increased costs that would make it less attractive to customers. These need to be fully discussed and addressed before industry is able to fully move forward towards HH settlement.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769366 or [Holly.Tomlinson@Ecotricity.co.uk](mailto:Holly.Tomlinson@Ecotricity.co.uk).

Yours sincerely,



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