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### **Half-hourly settlement (HHS): the way forward**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to respond to Ofgem's open letter on the way forward for half-hourly settlement (HHS). We are supportive of the overall themes contained within the letter, particularly with the desire to eventually move to mandatory HHS for all customers. We believe mandatory HHS will deliver long term customer benefits in minimising energy costs and creating the opportunity for market innovation in customer offerings. We therefore look forward to participating constructively with the programme of work set out, including the Significant Code Review (SCR) to be launched this year.

The energy industry is delivering a significant amount of reform over the next few years including smart metering, project nexus and centralised registration. We believe that it is in customers' interests to ensure that these are delivered in an efficient and staged manner to ensure costs are minimised and the reliability of systems and processes are maintained. On this basis, in terms of any HHS review we believe the following key principles should be adopted:

1. Changes should be planned from left to right, and should not put existing systems at risk. In particular, there should be sufficient time provided to design, build and test any solution prior to implementation. This will ensure that the desired outcomes are delivered efficiently and a positive consumer experience is achieved, rather than prioritising an implementation date over quality and cost.
2. Costs should be minimised by ensuring that any material changes to systems or processes support the delivery of a mandatory solution. There should be due focus on avoiding regret spend for elective HHS systems that will need to be replaced or amended to support mandatory HHS.
3. Changes to central systems must not materially impact non-participating suppliers. We believe that the introduction of measures that result in a greater uptake of elective HHS by suppliers could lead to the creation of barriers to switching.

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4. Suppliers using elective HHS should pay for the relevant changes. We believe that the use of elective HHS will be a commercial decision. As such, we consider it appropriate that the industry costs associated with the delivery of this service should be targeted at those who are using it.
5. Consumers should be appropriately protected from any distributional effects. In particular, we remain concerned that some customers will have a more attractive consumption profile, which some suppliers will actively target; whilst other customers may be less attractive and incur additional costs (such as the group correction factor) that other customers avoid. This should be a primary consideration as part of the implementation of elective HHS.

The decision on whether suppliers and other parties participate in elective HHS, in advance of a mandated requirement, will be based on the level of change needed to participate. However, in response to Ofgem's request within the open letter, we would like to initially highlight the following preferred outcomes and challenges that we foresee regarding the introduction of both elective and mandatory HHS.

- The timescales for implementing system changes to support elective HHS seem very tight; experience shows that changes that need dataflow amendments traditionally need a long lead time. In addition, Nexus and DCC are both due to go live in the next 12 months and so the capacity for the industry to deliver additional change during this period may be limited.
- The decision of some suppliers to operate elective HHS will be a commercial one and should not therefore detrimentally impact on those that choose not to adopt such a service. The change of supplier process for elective HHS will need to be carefully assessed in order to avoid it becoming a barrier to switching and costly for all suppliers, including those who do not take part. For example, a complex and costly change of measurement class process could be a major barrier to customer switching.
- Both elective and mandated HHS would require changes to the current BSC rules if SMETS meters were to participate. The BSC states that HHS needs metering to be 99.5% accurate, while SMETS only sets an accuracy of 98%.
- For mandated HHS to be most efficient and effective it should take place after SMETS 1 enrolment and adoption, and utilise a centralised DA/DP function. Managing SMETS 1 meters in volume on non-DCC SMSO systems would create costly short term IT changes.
- Mandated HHS will result in a need to review the existing network charging arrangements. Given the commercial impact of such a review, we would require adequate lead time once the preferred solution has been determined, in order to be able to robustly assess any tariff impacts and ensure any associated industry codes are amended to support this.

- The smart meter data access rules will need to be reviewed and probably be amended for mandated HHS to be effectively implemented. Any revised approach would need to facilitate access to customers HH consumption data, while at the same time maintaining customer trust.
- ACER recommendations for 15 minute settlements are an external factor that will need to be considered. If ACER's position is adopted regret spend will need to be minimised.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Andrew Jones on 07875 119072, or myself.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

**Paul Delamare**  
**Head of Customers Policy and Regulation**