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Submission via email:
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Dear Áine,

Half-hourly settlement (HHS): the way forward

First Utility welcomes the opportunity to respond to the open letter on HHS from Rob Salter-Church dated 17 December 2015.

We are supportive of HHS and the opportunities and benefits it will create for all stakeholders: for customers, greater ability to manage bills through utilisation of time-of-use (**TOU**) tariffs; for suppliers more cost reflective settlement and better management of imbalance risk and cost and for network operators, facilitation of additional tools to manage network constraints. All these elements will help to reduce costs on consumer bills as would otherwise be the case in the UK's transition to a low carbon economy, with a tightening supply/demand balance and increasing deployment of distributed generation.

Both the Smarter Markets Programme and the work of Ofgem's Smart Grid Forum have played useful roles in identifying the opportunities for and requirements for regulatory change to realise the benefits of HHS. However given the extent of regulatory change industry is currently undergoing with for example, Project Nexus, Reliable Next Day Switching, the Smart Meter Rollout, we support Ofgem's proposal to focus initially on elective HHS. This will still require coordination across these programmes and an awareness of the cumulative impact on supplier resource that so many parallel programmes is having.

A soft start to HHS is also beneficial to assessing and dealing with any unintended consequences as they arise: we are concerned for example that as losses and other



adjustment factors are currently smeared over domestic use, as more such use becomes settled on a half hourly basis, the greater the allocation of losses (and other 'Group Correction Factor' elements) is to the remaining group – this may lead to disadvantaging certain market participants. This will need to be closely monitored and early consideration given to appropriate remedies, which can be quickly applied, should these concerns materialise.

First Utility also supports the work undertaken by Elexon's Settlement Reform Advisory Group. We have seen some provisional conclusions contained in the report that will be presented to the BSC Panel in February, and are supportive of the recommendations. In particular we believe that it will be very important for domestic export to be HH metered and settled. Given the growth in recent years in the solar industry, this has made the forecasting and estimation of Group Correction Factors even more challenging: HH metering and settlement of domestic export should help to address this.

However we need to emphasise that both in elective and mandatory HHS to follow, there will always be a requirement for profile-based settlement: for customers switching from HH to NHH suppliers during elective HH settlement, for data privacy issues around change of tenancy, communication outages and where customers refuse a smart meter. There will also remain locations where communication is not possible (in basements or where there is no communication coverage even above ground).

These examples effectively constitute barriers to both elective and mandatory HHS, but should be an ever decreasing proportion of the market as technology progresses, and regulatory changes take effect. Regulations around data privacy and the use of smart meters will also need to be considered so as to ensure a more cost effective, streamlined approach to HHS when a change of tenancy takes place – without this, on such occasions HHS will be interrupted and replaced by the use of existing profiles until such a time if and when the new occupier actively agrees to resume HHS.

We look forward to continuing our engagement with industry stakeholders on both elective and mandatory HHS. In the meantime, if you have any questions or would like to discuss any of the issues covered in my letter, please do not hesitate to get in touch.

Yours sincerely

Emma Piercy
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