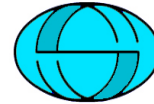


1st February, 2016



To : **Áine Higgins Ní Chinnéide**
Ofgem

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Dear Aine,

Re: Half-hourly settlement (HHS): the way forward

Salient Systems Limited (SSL) take this opportunity to respond to your recent Open Letter outlining your plans and schedules to achieve electricity HH settlement in Great Britain. Our comments here are by no means confidential, please feel free to discuss or disseminate them as you see fit.

SSL are a software product solutions and consultancy company operating in the GB market and totally focused upon the delivery of business system solutions to the Utilities market space. Our fully automated NHHDC, NHHMO, HHDC, HHDA, HHMO industry qualified solutions and our RMS metering work management and field service system solution are in place at significant agent providers of metering services to their Supplier and SME/I&C clients. At the outset, then, SSL declare an interest in supporting any initiatives that will result in securing and encouraging competition across a wide landscape of both mature and emerging metering services organisations.

SSL fully support Ofgem initiatives to achieve HH settlement. Our supporting position and our views expressed in this response are informed by our own experience in the market and by our review of relevant formal outputs from Ofgem and Elexon. We note particularly your publications 'Update on Electricity Settlement Project' (28/1/2015) and your 'Making the electricity system more flexible and delivering the benefits for consumers' (30/9/2015), along with the outputs of the Elexon SRAG tasked with review of HH settlement issues and constraints.

We note particularly Ofgem objectives of strengthening competition in the market, at all market services including at new emerging and innovative market model services. Your objective to create opportunity for wider participation in DSR, particularly at domestic consumers, is both welcome and timely, against a backdrop of increasing generation margin risk. We would anticipate that you will be similarly supportive of any and all other consumer championing initiatives as they develop and mature, designed to deliver value to individual or cooperating groups of consumers – Community Energy generation schemes, opportunistic storage and release schemes as storage technology matures, facilitated interactions with wholesale energy products etc.

The Annex to your January 2015 update illuminates a number of constraints that must be addressed effectively in order to achieve objectives attached to wider HH settlement.

We are confident that the policy and process requirements that will address the identified issues of HH data estimating and settlement timetable optimisations will be resolved effectively with

1st February, 2016

ongoing support from Elexon working groups this year. The CoMC process has received attention at Elexon last year in preparation for P272 migrations from NHH to HH settlement and further timely refinements here are, we believe, possible and achievable. Supplier cost commitments necessary to integrate increasing volumes of HH and TOU data into their systems will be supported, we believe, by persuasive business case proposals at innovative and efficient supply companies. DCC delivery of HH data from Smart meters will provide significant DR cost mitigation. Systems and operations costs attached to delivering DCDA service requirements against volume HH data will not constrain the economic delivery of those services at supplier vertically aligned data management functions or at independent metering agents who adopt modern, automated solutions available in the market.

However, while we believe that the change necessary to facilitate HH settlement is entirely achievable we are concerned that, of itself, such change will not necessarily deliver all of the benefits of wider HH settlement of energy unless the data management policies underpinning change positively encourage the delivery to market of enabled new services - aligning closely with Ofgem objectives to secure innovative new market roles within the wider energy market model, as outlined at your 'Making the electricity system more flexible....' document.

Competition and differentiation between providers of extended and new services to stakeholders will be supported and characterised by the particular, targeted HH data management, data analysis and decision support services available from providers - services directed at achieving the benefits available to particular stakeholder groups, including the range of consumer groups.

The key enablers to assure delivery of new services will include effective distribution of HH data and other industry reference data to service providers, along with assignment of appropriate 'authority to use' permissions. The potential to achieve an effective, evolving energy market model must be encouraged by the application of sound Data Management Process principles. We believe that Ofgem are best positioned to reinforce application of those principles across any change proposed by industry.

The energy market model as it exists now is the manifestation of the mappings of sets of decomposed energy business model functional components against energy data model entities and attributes - complemented by a set of 'industry role' containers that present an agreed view of sets of business model functions that must be exercised together by an appropriately authorised party. The industry role holder must also assure that the established data management process specific roles against data that are implicated at the particular business process services they provide (e.g. data owner, data creator, data validator, data custodian, data user, etc.) are delivered with integrity as part of their industry role contribution.

The new roles that will develop in the market will be characterised by their own set of business process and data requirements. New data created by those roles will feed into appropriate business processes at other stakeholder systems elsewhere within the distributed industry business model. Industry data required at new roles in order to support their generation of new data outputs must be sourced from appropriate data custodian systems elsewhere .

In order to fully support the new role requirements against data the change process that will deliver wider HH settlement must decide upon the appropriate custodianship of validated industry data that will be required at the new roles. Data custodians will be required to effectively distribute or make data available to authorised new role holders. Decisions arrived at here will drive definition of the additional data interfaces that will be required between industry parties. The efficiency, or otherwise, of new data sharing mechanisms will significantly influence the efficiency and effectiveness of new and changed industry roles.

Decisions here must be based upon pragmatic identifications of where within existing industry systems appropriate data at appropriate status currently resides - complemented by confident

1st February, 2016

anticipation of where commitment to support and perhaps develop new service deliveries will exist.

Our own view here is that the existing positioning of industry DCDA functional roles and managed data provides very good fit to deliver relevant data custodianship and data distribution/sharing requirements to support the range of new services that are developing in the market. DCC planned positioning in the evolving industry architecture will encourage existing DCDA functional groups to develop new services to replace diminishing field services - new services that will build upon the significant data management expertise and experience base that will already exist at effective DCDA role holders. DCDA role holders will continue to add value within an evolving industry business model, as evidenced by their contribution to recent deliveries at P300, P305 and ORD006 implementations. DCDA functional groups are ideally positioned to develop both supplier targeted and consumer targeted new services and systems, closely coupled to their existing industry portfolio data bases to deliver the widest possible benefits from HH data analysis.

During the period this year of further identification and definition of change that will deliver the benefits of HH settlement SSL will take an active part, wherever possible, and we will caution against change that will compromise the potential for DCDA industry role holders to support delivery of new and valuable HH enabled services to other stakeholders.

Yours sincerely,

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Director

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