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Ofgem
9 Millbank
London
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29 January 2016

Dear Áine,

Half Hourly Settlement (HHS) The way forward: Views on wider Barriers to Elective HHS

Ofgem's open letter of 17 December 2015 invited views on additional and wider barriers suppliers may encounter when using HHS on an elective basis. We note the reference to the work being done by Elexon's Settlements Reform Advisory Group (SRAG) regarding elective HHS. We have identified below a number of issues which we believe may be fully or partially beyond the scope of the SRAG's work:

- **Change of Measurement Class (CoMC)** – the CoMC process is the key process to switching customers from NHH profile settlement to HHS and vice versa. An important factor in ensuring a successful elective HHS is a smoothly functioning CoMC process. In particular, the CoMC process must handle both large and small batches of customer data in anticipation of the varying sizes of elective HHS portfolios across suppliers. In addition, the CoMC process must be easily reversible in the case of exceptions that require a customer to be withdrawn from HHS (see below).
- **Exceptions** – i.e. reasons why customers may need to be reversed out of elective HHS: in each case it will be necessary to verify that the CoMC and other impacted processes enable the reversal out HHS. Potential exceptions we have identified include:
 - customer withdrawal of consent for supplier to access their HH consumption data;
 - change of tenancy;
 - change of supplier;
 - change of meter agent (COA).
- **Incentives for elective HHS** – in the longer term there will be established incentives for PC 1-4 customer and suppliers to utilise HHS, e.g. ToU tariffs, DSR, load shifting etc. At present however there are relatively few benefits from using HHS electively. Ofgem may wish to consider if there are any changes that can be introduced fairly quickly to improve potential benefits, such as introducing some form of ToU charging into relevant energy costs (network charges, CfD/CM costs etc) to sharpen the incentives from their current blunt NHH form.

- **Infrastructure and supporting systems** - we note Ofgem's intention that minimal changes will be required to the existing central and supplier systems in order to support elective HHS. It will be important to consider whether utilising the present elective HHS systems for PC 1-4 customers will be practicable for portfolios of all sizes. Modifications or alternative solutions maybe required for smaller portfolios which are likely to be prevalent across most suppliers in the early stages of elective HHS.

We have not been sufficiently close to the SRAG's work to be able to assess if the above issues are being fully addressed and identify the section of the industry codes impacted. We will review this when the SRAG's report is available next month. In the meantime, we would be keen to meet with you discuss the above issues and other areas we can support Ofgem's work on HHS more generally.

Should you wish to discuss any aspect of this response please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a horizontal line.

Rupert Steele
Director of Regulation