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

Dear Áine,

I write in response to your open letter of 17<sup>th</sup> December entitled "Half-hourly settlement (HHS): the way forward."

SmartestEnergy has been an aggregator of embedded generation since 2001 and a supplier in the electricity retail market serving large corporate and group organisations since 2008.

As you know, SmartestEnergy raised P272 and has always been a champion of extending the reach of half hourly metering. Once P272 was implemented we had intended to raise a modification to settle Profile Class 3 and 4 (PC3-4) half hourly. However, the P272 process took so long and cross-code arrangements were so inefficient that we decided not to. If the governance arrangements had been improved with the help of Ofgem, we believe that industry would have taken further half hourly settlement forward without the need for intervention.

We note that Ofgem are interested in hearing from participants on the subject of barriers to the transfer of meters from NHH settlement to HH settlement. This was discussed at length during the Profiling and Settlement Review Group (PSRG) and P272 discussions in 2010 and 2011. It was generally considered inappropriate for there to be an elective or protracted migration period because it would lead to cherry picking i.e. suppliers would be incentivised to migrate sites which can load shift or have a relatively flat profile, leaving the remaining sites in the NHH Profile Classes populated with inflexible and peaky demand. This would make the profiles inaccurate and the error would be shifted onto the remaining NHH sites. We are somewhat surprised therefore that Ofgem are only considering an elective process for the remaining profile classes not covered by P272.

In the P272 process one of the major barriers was the fact that DNOs were not prepared to alter their systems to facilitate what was a mere doubling of HH sites on site specific billing. We accept that site specific billing would not be appropriate for a hundred fold increase in meters (as 25 million domestic and small business meters join the existing 250,000 HH meters in settlement.) However, it is clear that the major barriers are going to be the DCC and DNOs. The areas which will need the greatest attention will therefore be:



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- The aggregation process via the DCC – it is not appropriate that DCC will have to send the data to suppliers and/or their agents for it then to be forwarded into settlement. A direct link between DCC and Settlement is required.
- DNOs' super-customer billing – we cannot design/allow a process by default around what is easiest for the DNOs as happened with P272; a cross code CBA will be required.

Please note that our response is not confidential.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich

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