Tempus Energy Supply Ltd.
31 Oval Road
Camden NW1 7EA

Ofgem
Retail Markets,
9 MIllbank, London SW1P 3GE

28 January 2016

Dear Mr Salter-Church,

Please see below the **Tempus Energy Supply Ltd** (Tempus) response to Ofgem's open letter on 'Half-hourly settlement: the way forward'.

About Tempus Energy

Tempus Energy ('Tempus') is a technology company and an innovative, new electricity retail supplier. Tempus was established to make energy systems more efficient through capturing the value of under-utilised assets using demand-side flexibility technology. Tempus has developed technology to shift real-time consumption patterns to optimise trading on the electricity market within each half-hour, leading to cheaper electricity prices for the company and its customers, while also helping to balance the overall electricity system. Importantly Tempus is demonstrating that through the use of demand-flexibility in liquid, transparent and competitive wholesale markets, where prices reflect actual scarcity and network stress, we can create a market-based approach to integrating more intermittent renewable energy onto the grid and therefore combat climate change through market-based solutions**.**

Response to Ofgem Open Letter- Half Hourly Settlement ('HHS'): the way forward

Tempus welcomes Ofgem's recent Open Letter on HHS and is very pleased to see that HHS has been given the attention and priority it deserves as a key ingredient to creating a more cost-effective, smarter and more competitive wholesale and retail electricity market in GB, hence helping us to meet the challenges under the energy 'trilemma'. HHS will lead the way to a market where suppliers are forced either by regulation or by market forces to settle their customers on actual consumption data, and thus send a stronger price signal to incentivise customers to alter their pattern of energy consumption. This will then drive suppliers to actively manage their customers' consumption to avoid peak price periods and thus save both their customers, and collectively the whole electricity system, up to £8 billion per annum[1]. We are not alone in stating that HHS is fundamental in developing a smarter energy system in which demand side technologies thrive and are necessary to justify the £11 billion cost of the national smart meter rollout.

Tempus has already been installing smart meters and settling its customers on a HH basis since its entrance into the retail market in order to unlock the enormous value of flexibility that customers can offer to the system. P272 has been a very positive step in the right direction for profile classes 5-8. Tempus has however encountered several regulatory and market obstacles to settling smaller customers, namely profile classes 1-4 on a HH basis. This is holding back small and medium size UK businesses, start-ups and homes trying to cut back on energy bills from enjoying the benefits of a smarter energy system. Tempus

[1] Poyry report (2010), 'Demand Side Response: Conflict between supply and network driven optimisation, a report to DECC'

thus welcomes the fact that Ofgem has opened a discussion about the best ways to overcome these barriers.

The most immediate issue to address is removing any regulatory barriers to elective HHS while also creating a more competitive market for HHS services. This will allow more innovative suppliers like Tempus that want to settle their customers now on a HH basis to do so profitably. That said, Tempus would equally support a move towards mandatory HHS starting in 2018 to ensure that all customers can enjoy the benefits associated with HHS no matter who their supplier is. Mandatory HHS will also quickly lead to an active market for HH metering and associated services thus allowing suppliers to benefit from economies of scale and competitive prices, which will make the switch to HHS even more cost-effective.

A. Regulatory barriers

1. Data Collector/Data Aggregator ('DC/DA') costs too high due to accuracy level of COP10 approved meters

The attempt to move customers in profile groups 1-4 to HH meters and settle them based on actual HH data is hitting cost-related stumbling blocks. DC/DA data transferring costs for COP10 approved meters, which are required to be 99% accurate, are significantly higher than Non-HH meter costs. For domestic and small business customers, that do not need this level of accuracy and thus associated risk premium, these costs make switching them to HH settled meters prohibitively costly. A solution can be found where DC/DAs are required to offer a 'light' version for small customers that does not need to be as accurate, while still allowing for 60-second data management. For example a new Code of Practice could be created by Elexon to accommodate this solution in line with its powers under the BSC.

Details outlining the abovementioned costs are in the separate Appendix

2. Lack of relevant measurement classes for small customers

Tempus is currently trying to migrate all its customers, both large and small, to HH settlement in order to fully unlock the smart energy model and save its customers money by for example reducing imbalance costs. However, during the time it takes between the change of meter class and the DC/DA being appointed to send out HH data, an 'Estimated Annual Consumption' ('EAC') is used. In addition, these customers are also assumed to have a maximum demand capacity that is much higher than a typical customer in profile classes 1-4 for DUoS charging purposes. These higher charges create financial difficulties for suppliers when posting collateral, particularly as it is the newer market entrants that are more likely to be switching smaller customers to HH settlement.

Elexon has since November 5, 2015 introduced a new measurement class (Class F) aimed at smaller customers and could alleviate the above problems at least for SME customers (profile classes 3-4). It remains to be seen however whether measurement Class F will lower costs of switching domestic and SME customers. Tempus will be launching a pilot scheme between April-September 2016 under the Ofgem administered Network Innovation Allowance fund called the 'Sunshine Tariff' in collaboration with Western Power Distribution and Wadebridge Renewable Energy, through which Tempus will be moving 240 domestic customers to HHS. The project will be an opportunity for Tempus to assess the suitability of measurement class F for domestic customers.

3. The Data and Communications Company ('DCC') overlap with HHS

The final design of the DCC has yet to be agreed on in relation to settlement data. In its current format the DCC has not been set up to manage HHS. However, were this to change so that the DCC uses HH data for

settlement purposes (as proposed by some), Tempus would warn against a situation where suppliers (and hence customers) would be double-charged for settlement data. This situation would arise where the DCC and the DC/DAs would both be charging the supplier for the use of HH consumption data for settlement purposes. These costs could potentially increase even more if the supplier was requesting data every 60 seconds as opposed to simply requesting 60 second data every half hour.

B. Market barriers

1. Meter Operator ('MOP') costs

The desire to move SME and domestic customers to HH settled meters is being obstructed by high price barriers for metering services. MOPs are overcharging new market entrants such as Tempus for these services. New market entrants are trying to create a more efficient and smarter market to allow customers to significantly save on their energy bills. Despite this, MOPs are charging rates associated with I&C customer loads for smaller customers, which makes the proposition financially less worthwhile.

The above is probably a symptom of a lack of competition due to the concentrated MOP market rather than being accredited to a regulatory barrier. It is expected that Ofgem's work into removing barriers to HHS and also in the near future mandating HHS will create significant market activity in this sector. This market activity will then hopefully drive up competition and drive down prices for HHS products and services.

2. The slow pace of the national smart meter rollout

Smart meters are the fundamental building blocks of a smart grid. HHS is the instrument with which we will extract value from the smart meters and through which we can meet the challenges set out by the energy 'trilemma', namely a cost-effective, low carbon and resilient energy system. The smart meter rollout however has been slow to progress and is constantly being delayed due to the wishes of some players to retain the status quo. These delays have meant that the market for smart meters and associated products and services has not yet fully developed and competition remains low. For innovative suppliers that have decided to push ahead with the smart meter rollout and HHS, the market agents and options available are fewer, and these agents are less willing to offer competitive rates to the detriment of domestic and SME customers. It is anticipated however that Ofgem's work into enabling elective HHS and Ofgem's future work to mandate HHS from 2018 will provide the regulatory and market certainty needed for a competitive market for HHS services to develop.

In addition, Tempus welcomes approaches that allow smart meters and associated metering systems to be able to be flexible and progressive in terms of their capabilities. We should be building infrastructure projects that are able to handle the granularity and sophistication required from future settlement and trading periods that will no doubt be shorter than 30 minutes in order to most efficiently accommodate flexibility and likewise participate in EU-wide power markets.

Yours sincerely

Sara Bell

CEO, Tempus Energy Supply Ltd