ofgem

Workshop note

Elective half hourly settlement – stakeholder workshop

Notes from Ofgem's stakeholder workshop on elective half hourly settlement	From	Ofgem
	Date	5 April 2016, 10am–4pm
	Location	9 Millbank, London

Overview

1. On 5 April 2016, we held an industry workshop to discuss issues relating to elective half hourly settlement (HHS) that had been raised in responses to our December 2015 open letter on HHS. A list of attendees is provided in Appendix 1.

2. The main issues were set out in short presentations before each session. This workshop note should be read in conjunction with the slides, which are provided as subsidiary documents.

3. The main views that emerged from these discussions are captured below. **Please note that these are the views of stakeholder who attended the workshop and do not necessarily represent the views of Ofgem**.

Change of Measurement Class (CoMC)

4. Stakeholders provided some comments on the Settlement Reform Advisory Group's (SRAG) recommendation to reverse the direction of the D0012 flow[1]. Some stakeholders suggested that the supplier would instead be able to send this information to the agent using the service reference item in the existing D0155 data flow.[2] They noted that this is a well-established process.

5. ELEXON presented a strawman proposal for a new data flow to transfer meter technical details. Some stakeholders suggested that it might be possible to adapt the existing D0268 flow[3] instead (by making fewer fields mandatory). ELEXON said that it would need to check that this flow included all the right information.

6. There was some discussion about how the CoMC process might change further in future, for example on the introduction of a centralised registration system (CRS) – although one stakeholder noted that the design of the CRS was at an early phase, and so there should not be a dependency at this stage.

7. Some stakeholders asked about new market roles. ELEXON replied that the strawman process does not include new market roles, and noted that the question was not considered in detail by the SRAG.

8. There was some discussion about the future role of the Half Hourly Data Collector (HHDC), if the supplier had the option of validating data itself (through the SRAG recommendations). Several stakeholders noted that there would need to be controls around any validation activity performed by the supplier: either through qualification as a HHDC or through audit.

9. It was noted that the HHDC would be able to receive data directly from the Data and Communications Company (DCC), rather than via the supplier, as long as the HHDC was registered as an 'other user' with the DCC. One stakeholder noted that this would

[1] D0012 – Confirmation of the Inclusion of the Metering Point in the Reading Schedules
[2] D0155 - Notification of Meter Operator or Data Collector Appointment and Terms
[3] D0268 - Half Hourly Meter Technical Details

also require the customer to provide a separate consent for the HHDC to access its half hourly (HH) data.

10. One stakeholder asked whether central systems changes would be required – ELEXON replied that it would not anticipate changes, as central systems use aggregated data. Stakeholders noted that any changes would have an impact on supplier agents, who would need to change their systems.

11. One stakeholder noted that suppliers did not receive a notification when a data transfer failed (in contrast to the approach for appointments). One stakeholder asked where the common data transfer failures were at present. Another stakeholder replied that there were risks every time data was transferred between parties

12. One stakeholder suggested that contacts with the Data Aggregator (DA), eg appointment/de-appointment, should be added to the strawman. Another stakeholder said that it would be helpful to add timings to the strawman.

13. One stakeholder asked if the new flow would be useful for the enduring mandatory HHS process. ELEXON confirmed that this was the case.

14. One stakeholder noted that it had already performed some CoMCs for small sites, but said that simplicity would be helpful. Another stakeholder noted that any new process needs to enable suppliers to put new products on the market.

15. Stakeholders expressed interest in how the strawman would be extended to incorporate concurrent change of supplier. Similarly, there was interest in interactions with change of tenancy (as there was a potential impact on timings).

16. Some stakeholders said that any changes should not require all suppliers to change their systems. One stakeholder noted that there could be a possible barrier to CoMC with concurrent change of supplier, if some parties' systems could not handle the new flow.

Network charging

17. Broadly, stakeholders in the room supported an option in the bottom row of the table presented in the slides, ie consumers remaining on a non-half hourly (NHH) transmission charging methodology until all customers move to HHS.[4] Stakeholders noted that there were practical issues with being able to obtain the data needed to make the more targeted option work. The sense was that this is part of a much wider question being considered as part of wider work on transmission charging.

18. Stakeholders asked if the options presented assume triad charging[5] for domestic consumers as the direction of travel. We responded that this work is tightly scoped to removing short-term barriers to cost-effective elective HHS, and does not extent to the longer term question of the appropriateness of applying triads to domestic consumers. Stakeholders agreed that this is the right approach.

19. In support of using triads, one stakeholder noted that a lot of the potential innovation from HHS would be centred on benefits from triad avoidance.

20. One stakeholder highlighted their view that the NHH charging regime should be maintained until such time that HHS is mandated across the industry, to take account

[4] Under this option, transmission charges would be determined in the period between 4pm and 7pm (as under the current NHH arrangements), but would be based on an elective HH consumer's actual, rather than profiled, demand.
[5] The transmission charging methodology for existing HH customers.

of the possibility that suppliers (or consumers) will switch between NHH and HH settlement.

21. One stakeholder's opinion was that applying the triad regime for domestic consumers is unrealistic, as there would be a certain proportion of consumers – even on an elective basis – that don't shift their load and therefore could be caught out by high triad charges.

22. One stakeholder asked if there could be another option, where customers could opt into paying HH transmission charges. It was noted that similar considerations about opting in are currently being explored through CUSC CMP 260,[6] but that National Grid doesn't currently receive sufficiently granular data to allow this to happen..

Further issues

DCC/smart metering issues

23. One stakeholder noted a potential interaction with the delivery of DCC 1.4, which is also scheduled for early 2017.

Data privacy

24. Stakeholders pointed out that privacy issues on Change of Tenancy (CoT) are not solely related to HHS / data collection frequency. For example, there are rules requiring a smart meter to be cleared of data before a new tenant arrives.

25. A supplier suggested that it would be helpful if the Information Commissioner's Office and Ofgem could issue a statement saying that, if suppliers take reasonable steps when they are notified of CoT, they will not be held accountable in cases where they have not been notified.

26. Ofgem asked stakeholders if they could provide estimates of the frequency of occasions when a supplier is not notified by either the outgoing or the incoming tenant about CoT.

27. A stakeholder asked what should be done between notification of CoT and CoMC away from HHS. Others replied that the supplier would need to stop taking HH data and start using estimates. It was pointed out that, if transmission charging was calculated on triads, and the triad date falls during the estimation period, then this could potentially cause some issues.

Consumer protection

28. Stakeholders asked how far a supplier should go to ensure a customer understands an innovative HH tariff – do they have to ensure that a consumer would never lose out? They pointed out that there may be circumstances where neither the customer nor the supplier could predict a lifestyle change for the customer which could make them worse off under the tariff. They asked what sort of warning should be given.

29. Ofgem said that it would not be appropriate for us to provide detailed, prescriptive guidance on this – that this would undermine the point of principles based regulation and introduce prescription via the back door. We consider that the concept of treating customers fairly is clear in itself, and the plan-monitor-adapt cycle should help suppliers in doing this. However, we will look at what specific guidance or case studies might be appropriate to help clarify the application of Standards of Conduct in the very

[6] CMP260 - TNUoS Demand charges for 2016/17 during the implementation of P272 following approval of P322 and CMP247

new area of HH tariffs, and we will also engage proactively with individual suppliers looking to make new innovations in this area.

30. Stakeholders agreed that principles-based regulation was the appropriate route in this area, and that prescription would be both difficult and undesirable.

31. However, some stakeholders suggested that there might be a role for prescription in assisting customers to compare HH tariffs between different suppliers (as a form of interoperability).

32. Stakeholders asked whether it was necessary to tell a customer that they were being HHS, if their tariff did not change and they had given consent for HH data collection. Ofgem will consider whether any guidance is necessary on this point.

Ongoing supplier agent costs

33. Stakeholders noted that costs could vary depending on the number of customers involved in HHS. With small volumes, agents' processes are more likely to be manual, which makes them costlier than might be possible at larger scale using computer programs and automated systems.

34. Stakeholders suggested that uncertainty about centralisation of supplier agent functions could mean that supplier agents will not have the incentive to invest in their systems.

35. A question was asked about the decision to remove protocol testing, as it can show any systematic issues with a meter type, only needs to be done once and then can be valid for a number of years.

36. A stakeholder mentioned that there had been a Balancing and Settlement Code (BSC) change to align the requirements on site visits with the updated requirements in the supply licence.[7]

37. A stakeholder noted the proposal raised to amend the Supplier Hub concept as relevant background.[8]

38. A question was asked about why the standards should necessarily be tighter under elective HHS than under NHH. The response was that lower accuracy increases the group correction factor (GCF) and impacts on volume allocation.

39. A stakeholder asked how the existing HH standards had been determined.

40. There was broad agreement that read performance requirements should be relaxed, at least in the short term, until there is experience of DCC performance.

41. One stakeholder was concerned about the impact of changes on those who do not elect to introduce HHS. They asked whether the NHH GCF would be higher to reflect a drop in accuracy for elective HHS sites – for example, from 99% to 90%.

42. There was a lengthy discussion on relaxing read performance requirements. One stakeholder suggested these should be relaxed to a standard of 90% at R1, to avoid the expense of meeting the 99% figure when the benefits are small and costs are high. Their arguments were that it was not yet clear whether the DCC could be relied on to deliver their promised service standards and there could be a number of specific intricacies with meters that make 99% an unjustifiably high figure. They argued that 90% HH data is still considerably better than 97% profiled data, which is what is

[7] Change Proposal 1452 'Aligning BSCP502 with amendments to the Electricity Supply Licence'
[8] BSC modification P332 'Revisions to the Supplier Hub Principle'

currently required at RF. A stakeholder also suggested that a lower performance requirement could allow repairs to be made (eg replacing the sim card) next time there was a van in the area, rather than on a specific trip, which would have a higher cost.

43. One stakeholder noted that data is not only required for settlement – suppliers might want data collected promptly for other purposes. Another stakeholder noted that there was a distinction between the commercial choices of suppliers and the requirement that should be mandated. They also said that in practice, suppliers might want to collect data every day, as a short call to collect a small amount of data was more reliable than a longer call.

44. One stakeholder noted that HH supplier agent costs quoted are much higher than NHH, and that supplier agents refer to the BSC read performance requirements as a source of this. They said that relaxing the read performance requirements could help to make elective HHS cost-effective.

45. One stakeholder agreed that a 90% requirement at R1 would be achievable. Another stakeholder said that 90% at R1 was acceptable, but said that in the longer-run, we should use data to determine the appropriate value.

46. Some stakeholders questioned the role of performance standards in a world where all suppliers were generally reliant on the DCC for accessing data. One stakeholder noted that performance standards also took into account successful validation of meter reads (rather than simply taking a meter read).

47. One stakeholder asked if relaxing read performance requirements would lead to lower costs for non-DCC enrolled SMETS1 meters. Others suggested that this would be the case.

48. One stakeholder said that there would be some performance assurance costs associated with relaxing read performance requirements, but thought that these would be good value.

49. On data validation and data estimation, stakeholders provisionally agreed with the view presented that there was no further change required beyond the proposed SRAG changes.

50. The question of possible new market roles/centralisation of agent functions was raised repeatedly – Ofgem said that this question was out of scope for this work on elective HHS.

BSC related issues

<u>Group correction factor</u>

51. Broad support for the potential solution of applying GCF to certain HH sites, for which it was noted it would require new consumption component classes (CCCs). The materiality of the issue was questioned by some stakeholders, although it was noted that it would solve the problem for both elective and for the transition period as mandatory is rolled out.

52. One stakeholder questioned whether the benefits of feed-in tariff spill are enough of an incentive to counteract the disincentive of negatives. Another stakeholder stated that they think it definitely sums to an incentive, as the average GCF is less than 1. The original stakeholder agreed, but said that the GCF should be continually monitored in case it becomes greater than 1 on average.

BSC specified charges

53. The general sense was that stakeholders are open to change in this area, but the low cost means it doesn't have huge materiality or urgency.

54. Stakeholders questioned if different charges for NHH and HH consumers can be justified on a cost basis.

55. It was noted that the mechanism is somewhat self-correcting, as more HH consumers will mean the charges are spread over more meter point administration numbers (MPANs) so they will fall.

56. One stakeholder expressed their view that the £2 cost is not enough to justify a change now, which was backed up by another stakeholder, particularly as this cost is likely to fall.

57. Another stakeholder agreed with these views, but also asked why we wouldn't change it if it was easy enough to do, despite the low cost impact.

58. One stakeholder raised a question about the costs of change.

Appendix 1 – list of attendees

	Stakeholder	**Organisation**
1	John Christopher	DECC
2	Kevin Spencer	Elexon
3	Andrew Jones	EDF
4	David Crossman	Haven Power
5	Tabish Khan	British Gas
6	Paul Linane	Utiligroup
7	Loic Hares	Tempus Energy
8	Alex Travell	EON
9	Emma Piercy	First Utility
10	Colin Prestwich	Smartest Energy
11	Dave Lee	Siemens
12	Paul Akrill	IMServ
13	Eric Graham	TMA
14	Chris Ong	UKPN
15	Morgan Wild	Citizens Advice
16	Vicki Holland	St Clements Services
17	David Barratt	Lowri Beck
18	Ian Tiffenberg	Flow Energy
19	Andrew Enzor	Northern Powergrid
20	Haren Thillainathan	Scottish Power
21	Adam Boorman	Cornwall Energy
22	Dermot Hearty	Salient Systems
23	Conor Maher-McWilliams	Ovo Energy
24	Damian Clough	National Grid
25	Hazel Ward	RWE npower
26	Peter Grey	SSE Supply