

Subject	Consultation on mandatory half-hourly settlement: aims and timetable for reform
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1 Background

This is a non-confidential response.

The document records the AMO response in respect of the Ofgem consultation¹ “Consultation on mandatory half-hourly settlement: aims and timetable for reform”, issued on 11th November 2016.

The Association of Meter Operators (AMO) is a trade association representing the interests of its members. There are twenty three members² of the AMO who include all of the active electricity Meter Operators and the largest gas Meter Asset Managers. Many of these companies also own significant quantities of metering assets, either directly or through associated companies.

The term Meter Operator is used throughout this document to include both the gas metering term Meter Asset Manager (MAM) and the electricity term Meter Operator.

2 Member Involvement

Many of the AMO members are undoubtedly providing their own response directly to Ofgem. This AMO response does not necessarily represent the agreed views of every member on each issue. This response has been prepared by the AMO Consultant on behalf of the AMO members based on views expressed through individual discussion provided by members.

The AMO membership is grateful for the on-going dialog with Ofgem on a range of issues. The AMO membership would welcome the opportunity to provide any further clarification or discussion of any of the issues raised by this response.

3 Key Messages

- Support the move towards mandating HH Settlement
- Do not see the justification to review the role of the Meter Operator
- Agree that there should be a review of export and FiTs metering arrangements
- Propose a review to ensure there are no gaps in the metering/governance obligations for HH capable meters
- Would welcome involvement in the further review of requirements

¹ www.ofgem.gov.uk/publications-and-updates/consultation-mandatory-half-hourly-settlement-aims-and-timetable-reform

² www.meteroperators.org.uk/members

4 General Comments

The AMO fully support the intention of moving towards a more cost reflective settlement arrangement which will minimise the use of profiling resulting in more cost reflective energy cost messages to suppliers and their customers. This, in turn, facilitates more cost reflective charges by distribution network companies and transmission companies. Accurate and operational metering equipment is key to enabling this change and meter operators have a fundamental role in installing and maintaining metering equipment.

5 Specific Questions

5.1 Question 2.1 Do you have views on our proposed approach?

The use of a Significant Code Review (SCR) is a familiar procedure, the use of the new powers referred to in para. 2.6 is a new and untested. It is important that our members are fully engaged in the process.

Our recent experience in the Ofgem faster switching programme was that considering specific aspects in a joint process between Ofgem and Industry has ensured that the issues are fully explored through issue papers and have generally led to a consensus on how to proceed.

5.2 Question 2.2 Our Impact Assessment will evaluate the costs and benefits of mandatory HHS for domestic and smaller non-domestic consumers. We will be seeking evidence of costs and benefits as part of that process. Do you have initial views on the costs and/or benefits? If so, please provide these with your supporting evidence.

The costs of the smart meter roll out have already been considered as part of the smart meter implementation project. The roll out of advanced metered was considered by the licence change many years ago. There may still be some 'gaps' in the different requirements that need to be closed. The costs of moving to HHS should be considered on a holistic basis across the whole industry, not just for "domestic and smaller non-domestic consumers" as any changes to governance, industry roles or operational & commercial arrangements will have a cross industry impact.

Costs of changes to commercial arrangements, IT systems and operational practices are too difficult to determine at this stage.

5.3 Question 3.1 Do you think we have identified the necessary reforms? Are there other reforms that should be listed? If so, what are they and how would they fit in the proposed plan?

It is not clear from para. 3.1 or 3.2 why or what changes are perceived to be necessary for metering or metering agents. The existing commercial competitive metering market was established in 1994 is now well established and operating effectively. Although this consultation is focused on electricity settlement the metering companies are generally dual fuel operations so the business model, workforce and systems are based on a competitive dual fuel market. Any changes to the roles and responsibilities will have a consequential impact across other aspects of the market, it is difficult to consider one market in total isolation.

The AMO has already participated, and encouraged changes to the existing BSC requirements for items such as proving tests and commissioning of meters. The goal is to make the operational processes sufficiently robust without adding unnecessary cost to industry, which is ultimately paid for by energy customers. There will continue to be opportunities for improvement and change to make these processes more efficient. The industry intuitively resists change as the change typically costs money which can be

frustrating for our members operating in a highly competitive environment when seeking to remove unnecessary business constraints.

Settlement export is included in the table on page 18. There would appear to be some confusion between the settling of export and FiTs metering, these are two very distinct activities. A SMETS2 meter will record export (onto the distribution network) energy, although the export energy will require a supplier to register the MPAN, this is only a marginal cost once a smart meter is operational. This would remove the current arbitrary 'deemed' export consumption. The text then discusses FiTs metering which is a separate physical meter, not currently governed under the MRA or BSC. It is the AMO view that the FiT meter should be included within some governance arrangements and be a SMETS2 metering device included within the smart metering communication framework by a meter operator. This would improve the data availability to energy suppliers and robustness of the data from FiTs metering.

The electricity and gas acts both allow customers the ability to provide their own meters. This has been an important driver to enable competition in the metering market. Many existing customers contract directly with agents to provide dual fuel metering and data collection services which are used for energy billing, validation of energy consumption and energy efficiency activities. These commercial arrangements have developed on the past 20+ years of the competitive metering market. Most customer groups with multiple sites (retail, pubs, local authorities, health authorities, utility companies, housing association, etc.) have procured a range of service across all meter types (large to small). This enables these customers to have a single portal for metering and data services. Customers have been able to determine their own level of service, which may exceed that typically procured by an energy supplier purely for settlement purposes. Smart metering gives the opportunity for these services to continue to expand to deliver the governments objectives of improved data leading to the nation improving its energy efficiency.

5.4 **Question 3.2 What industry expertise is needed to deliver these reforms in the timetable we have given?**

Meter Operators represented by the AMO have a role to participate in the discussions and development of efficient competitive arrangements.

Many of our members are also involved in data collection/retrieval services.

5.5 **Question 3.3 How much expertise and time can your organisation provide? How does this interact with other Ofgem initiatives?**

The AMO has provided representation and actively participated in the Faster Switching programme. If a similar framework was established for this development then the AMO would seek to participate on a similar basis.

5.6 **Question 3.4 What are the key risks and constraints to delivering to the timetable outlined?**

The experience over many years in this industry is that the most efficient changes are phased over a number of years some that customers can migrate from the current arrangements to new arrangements progressively. If there are clear and simple commercial incentives then industry parties will make the necessary changes in a timely manner.

5.7 **Question 3.5 Do you agree with the dependencies in Figure 1? If not, please explain what changes you suggest and why.**

The figure provides a logical flow of decision making.

5.8 **Question 3.6** What are the barriers to making changes to central systems and industry rules by the first half of 2018?

Difficult to say at this stage, until the level of change is identified. In most industry change, even minor change, the industry consultations result in a 6 month to 1 year timeline. Anything more significant may be much longer. As you recognise, there is already considerable change within the industry, so there will be some conflict between competing requirements.

5.9 **Question 3.7** Do you have any other comments on the proposed plan?

No

5.10 **Question 4.1** Do you agree with the conclusions of the ESEG and the PSRG (see paragraphs 1.8 – 1.10.)? Do you think anything has changed since they considered these issues?

It is understood that both these groups have considered a number of issues which are out of scope of the current consultation, particularly in respect of PC5-8 customers. The issues have continued to evolve and change.

5.11 **Question 4.2** Do you agree with the scope of issues identified in this (see paragraphs 4.2. – 4.7.) section? Are there any others we should be considering?

As said in response to Q3.1 the justification for reviewing the role of the meter operator is not clear. The role of a meter operator has been a competitive since 1994, the introduction of competition was initiated by Ofgem (in its former incarnation of Offer). The role has separate requirements and obligations from a supplier, this has enabled new energy retailers to enter the market and procure the service of an established meter operator. This aids competition by reducing the cost of market entry for energy retailers. Since 1994 there has been consolidation of metering companies as well as the market entry of a number of new market parties focused on this service activity. There are a number of existing industry participants who are suppliers and meter operators as well as parties who are distribution network operators and meter operator parties.

5.12 **Question 4.3** Do you agree with the scope of issues identified in this (see paragraphs 4.8. – 4.17.) section? Are there any others we should be considering?

These issues have been debated in many forums. The Change of Measurement Class issue (para 4.17) is one that historically it was an infrequent event so many of the operational processes were manual. As this will increase in frequency then participants will seek to automate the process, certainly for smart meters with operational communications, so that it is quick and resilient. One aspect that Ofgem may consider as a 'quick win' would be the prevent any customers moving from HHS back to NHH settlement, this would ensure that NHH declines, but also remove the need for an automated business process to be created.

5.13 **Question 4.4** Do you agree with the scope of issues identified in this (see paragraphs 4.18. – 4.27.) section? Are there any others we should be considering?

There are some gaps between the definition of Advanced meters and Smart meters. It would be sensible to review these definitions and associated requirements to ensure that any gaps in governance are closed. For example, a domestic (or small non-domestic) customer (PCI-4) with a large single phase CT metering arrangement which will not become a smart meter and is not currently within scope of the Advanced requirements.

The response to part of Q3.1 is repeated here: There would appear to be some confusion between the settling of export and FiTs metering, these are two very distinct activities. A SMETS2 meter will record export (onto the distribution network) energy, although the export energy will require a supplier to register the MPAN, this is only a marginal cost once a smart meter is operational. This would remove the current arbitrary 'deemed' export consumption. The text then discusses FiTs metering which is a separate physical meter, not currently governed under the MRA or BSC. It is the AMO view that the FiT meter should be included within some governance arrangements and be a SMETS2 metering device included within the smart metering communication framework by a meter operator. This would improve the data availability to energy suppliers and robustness of the data from FiTs metering.

5.14 **Question 4.5 Do you agree with the scope of issues identified in this (see paragraphs 4.28. – 4.38.) section? Are there any others we should be considering?**

No comment

5.15 **Question 5.1 What is the best way for us to use the expertise of stakeholders? What have you found helpful in the past?**

As stated on Q2.1: Our recent experience in the Ofgem faster switching programme was that considering specific aspects in a joint process between Ofgem and Industry has ensured that the issues are fully explored through issue papers and have generally led to a consensus on how to proceed.

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