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Submitted via email to: [HalfHourlySettlement@ofgem.gov.uk](mailto:HalfHourlySettlement@ofgem.gov.uk)

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### **Mandatory Half-Hourly Settlement: aims and timetable for reform**

Dear James,

Energy UK is the main trade association for the energy industry, with over 90 members; representing energy generators and suppliers of all sizes. Our members supply gas and electricity and provide network services to both the domestic and non-domestic market. Energy UK members own over 90% of electricity generation capacity in the UK market and supply 26 million homes and 5 million businesses, contributing over £25 billion to the UK economy each year. The industry employs 619,000 people across the length and breadth of the UK, not just in the South East, contributing £83bn to the economy and paying over £6bn annually in tax.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's consultation on the aims and timetable for mandatory Half-Hourly Settlement (HHS) reform. This is a high-level industry view; Energy UK's members may hold different views on particular issues.

#### Proposed approach and plan

Energy UK welcomes Ofgem's commitment to producing a comprehensive Impact Assessment (IA) and a Target Operating Model for the proposed new arrangements. Before proceeding with mandatory HHS, we would expect to see a robust Ofgem IA which demonstrates benefits above and beyond that which will be achieved by elective HHS.

As noted by Ofgem, mandatory HHS will require fundamental changes to IT systems and a transition period for moving customers to HHS. It is important Ofgem remain conscious that mandatory HHS is only one of a number of fundamental industry change programmes being taken forward concurrently between now and 2020. Other programmes include quicker switching, the smart rollout, project NEXUS, Ofgem's transition to principle-based regulation, the delivery of the CMA remedy package and elective HHS.

Industry and Ofgem resources are as a result, likely to be stretched until 2020. Many of these programmes also share key interdependencies that need to be considered and managed by Ofgem. For example, the potential benefits of mandatory HHS are directly linked to the success of the smart meter

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rollout and customers being more able to shift their demand for electricity (e.g. take up of electric vehicles and home automation). To this end we welcome Ofgem's acknowledgement that it will need to balance the level of concurrent change with the timely and cost-effective implementation of mandatory HHS.

Changes to both supplier and industry systems are inevitable. Indeed, they are needed to deliver improvements in service. However, if policy development is un-coordinated, implementation costs for suppliers will increase and detract resources from delivering better products to customers. Major industry change programmes like HHS must, therefore, be subject to careful and coordinated planning, which industry has suitable time to review and test. In particular, at this stage we would encourage Ofgem to carefully consider if its suggestion of central industry system changes being completed by 2018 is in fact realistic. We note, for example, that such a timetable will not allow industry or Ofgem to fully reflect on the learnings from elective HHS or the progress of the smart meter roll-out. To mitigate the potential for consumer detriment or unintended consequences, it is imperative that programme timescales are realistic and do not adversely impact the quality of the final deliverable.

#### Policy scope

Energy UK agrees with the scope of the outstanding policy issues identified in Chapter 4 of the consultation document. Energy UK and its members look forward to engaging with Ofgem to resolve the issues identified as we move forward with the Significant Code Review. At this stage we believe consumer issues around data access and the distributional impacts that may arise from mandatory HHS are worth particular attention. It will also be important for Ofgem to carefully consider and reflect on the lessons that can be learnt from suppliers' experiences in implementing HHS for profile classes 5 - 8.

I hope you find our comments helpful, should you have any questions please do not hesitate to contact me directly on 020 7747 2965 or at [daniel.alchin@energy-uk.org.uk](mailto:daniel.alchin@energy-uk.org.uk). Energy UK and our members are always willing to discuss with Ofgem ways in which we can work together for the benefit of consumers and the industry.

Yours sincerely,

Dan Alchin  
**Head of Retail Policy**