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Submission via email:
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Dear James,

Mandatory Half-Hourly Settlement (MHHS): Aims and Timetable for Reform

First Utility is very supportive of the smart enabled move to HHS and the opportunities it presents: customers will gain a greater ability to manage bills and reduce cost through time-of-use (**TOU**) tariffs; accurate settlement may enable suppliers to better manage imbalance risk and cost, lowering the cost of pedestrian meter reads, facilitate lowering error rates in change of supplier and change of tenancy (**COT**) processes improving the customer experience, and for network operators, additional network management tools will become available to reduce traditional network reinforcement. All these elements will help to reduce costs to consumers in the UK's transition to a low carbon economy.

We support Ofgem's initial focus on elective HHS (**EHHS**) as this will provide learning on the coordination of industry change (such as Project Nexus and Faster Switching) and will enable customers to benefit from early TOU tariff innovations ahead of MHHS.

Indeed the cumulative impacts on supplier resources of the current regulatory change programme may be raised in the forthcoming assessment of MHHS, regarding the impacts on timings and overall cost benefit analysis for MHHS. There is also a risk that the scale of current change initiatives may act as a barrier to completing the required changes to central systems and industry rules for MHHS by the first half of 2018.

First Utility supports the work undertaken by Elexon's Settlement Reform Advisory Group, Ofgem's Smarter Markets Programme and the Electricity Settlement Expert Group. We agree with their conclusions which have played useful roles in identifying the requirements and opportunities for regulatory change to realise the benefits of HHS. We take this opportunity to also note that instead of deeming export from domestic generation, it will be very important for this to be HH metered and settled. Given the



growth in recent years in the solar and intermittent renewables industry, this has made forecasting and estimation of Group Correction Factors ever more challenging. The rollout of smart meters and HHS of domestic export should help to address this, although we note it is likely that reform of the Group Correction Factor regime will be required to support this in order to avoid unintended consequences as the proportion of domestic customers in the NHH settlement regime diminishes. This would ensure that the GSP GCF impacts of the effects of (i) realised losses (that out-turn differently to forecast losses), (ii) theft of electricity, and (iii) embedded unmetered generation are smeared over the appropriate meters in industry and not necessarily just over the domestic MPANs which remain NHH settled (as we see no cost-reflective justification for why these meters alone should be singled out to bear the risks and costs of GCFs). This should ensure that no particular market participants are unduly disadvantaged.

In terms of meter operator (**MOP**) or data collector appointment, suppliers should retain this responsibility on behalf of domestic households. This will maintain existing operational efficiencies and avoid otherwise much greater cost and complexity due to greater number of different MOPs that would have to be dealt with.

We also note that for both EHHS and MHHS, there will always be a proportion of meters that require profile-based settlement: for customers switching from HH to NHH suppliers during EHHS, for data privacy issues around COT, communication outages and where a customer refuses a smart meter or does not agree to half hourly reads. Locations will also remain where communication is not possible (in basements or where there is no communication coverage even above ground). At the same time, regulations around data privacy and the use of smart meters need to evolve to ensure a more efficient implementation and running of HHS, with COT as one example.

Overall, industry access to HH reads is essential to realising the full benefit of smart meters. HHS could help reduce costs of supplier imbalance, enable the development of innovative TOU tariffs and assist networks in more efficient network management.

We look forward to continuing our engagement with industry stakeholders on both EHHS and MHHS. In the meantime, if you have any questions or would like to discuss any of the issues covered in my letter, please do not hesitate to get in touch.

Yours sincerely

Emma Piercy
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