

## Consultation on mandatory half-hourly settlement: aims and timetable for reform

### 1. Background

This is a non-confidential response.

The document records the PDA response in respect of the Ofgem consultation<sup>1</sup> “Consultation on mandatory half-hourly settlement: aims and timetable for reform”, issued on 11<sup>th</sup> November 2016.

Power Data Associates Ltd has been in business since 2003. In Great Britain the street lights, traffic signals, CCTV and other ‘street furniture’ all consume electricity but are not connected through an electricity meter to record consumption. In addition to our consultancy activity, Power Data Associates is a BSC qualified Meter Administrator. Using our bespoke software we calculate the unmetered energy consumption for over a hundred customers across Great Britain. It is vital that we get the calculations correct as our customers’ energy consumption is now worth over £200m/year.

### 2. Preface

We welcome the focus on HH settlement. There are a number of barriers which are not within the scope of the Settlement Reform Advisory Group (SRAG), most notably the Distribution Use of System Charges (DUoS) and the Transmission Use of System (TUoS) charges. Both DUoS and TUoS make a distinction in their charges between HH or NHH settlement. There is no underpinning rationale for these differences because the customers consumption is identical whether they settle NHH or HH therefore their impact on the use of the network is identical, ergo their use of system charges should be the same.

In considering the transition to HH settlement the SRAG and this Ofgem consultation have not addressed the unmetered activity which accounts for around 1.2% of all settlement.

### 3. Key Messages

- Support the move towards mandating HH Settlement
- The review scope should include unmetered energy
- Make DUoS charging settlement agnostic
- Make TUoS charging settlement agnostic
- Require larger unmetered customer to trade HH
- Develop a framework to enable smaller unmetered customers to settle HH
- Would welcome involvement in the further review of requirements

### 4. Specific Questions

#### 4.1. Question 2.1 Do you have views on our proposed approach?

The use of 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 industry stakeholders are fully engaged in the process.

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<sup>1</sup> [www.ofgem.gov.uk/publications-and-updates/consultation-mandatory-half-hourly-settlement-aims-and-timetable-reform](http://www.ofgem.gov.uk/publications-and-updates/consultation-mandatory-half-hourly-settlement-aims-and-timetable-reform)

**4.2. 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.**

No comment

**4.3. 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?**

The consultation makes no mention of unmetered customers. Our consultation response last year<sup>2</sup> highlighted this omission, and it is unclear why the unmetered arrangements have not been considered in this document. The arguments highlighted in last year's response continue to exist and still require consideration to ensure that any changes proposed

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

We would be keen to participate in a small group to consider/review the required unmetered changes, this could then be reviewed/endorsed by the BSC Unmetered Supplies User Group (UMSUG)<sup>3</sup>

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

We could provide a representative to develop and/or consider the unmetered changes.

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

The unmetered changes are not expected to be significant. Some changes will simply require a governance change (cease ability to revert to NHH settlement), through to making the remaining NHH energy settled on a HH basis.

**4.7. 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.

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

Many of the unmetered changes are not expected to be significant. So other than managing the customer transition, this could be achieved.

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

No

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<sup>2</sup> [www.ofgem.gov.uk/publications-and-updates/half-hourly-settlement-way-forward](http://www.ofgem.gov.uk/publications-and-updates/half-hourly-settlement-way-forward)

<sup>3</sup> [www.elexon.co.uk/group/unmetered-supplies-user-group-umsug/](http://www.elexon.co.uk/group/unmetered-supplies-user-group-umsug/)

**4.10. 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?**

They do not appear to have addressed the changes required to the unmetered arrangements.

**4.11. 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?**

There should not need to be any role or major IT changes to support an increase in HH unmetered settlement.

**4.12. 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?**

The unmetered changes have not really been discussed.

**4.13. 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?**

The unmetered DUoS charges were changed some years ago to make the charges more equitable.

DCUSA DCP0268<sup>4</sup> is in progress which will equalise the DUoS charges between NHH & HH metered customers. This will address the issues I raised last year in my consultation response<sup>5</sup>. This has a benefit to this consultation that it will minimise any customer transition issues when moving from NHH to HH settlement.

The recent approved change to the transmission charges will act as a 'stop gap' but I think there is wide recognition that there needs to be a more fundamental review of transmission charges which I would anticipate being agnostic of settlement arrangement.

**4.14. 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

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

A joint discussion on the unmetered issues, worked up by a small group of industry parties familiar with the unmetered arrangements should lead to workable solutions. Ofgem could task the UMSUG<sup>6</sup> with developing viable solutions.

Tom Chevalier, 5 Jan 2017

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<sup>4</sup> [www.dcusa.co.uk/SitePages/Activities/Change-Proposal-Register.aspx](http://www.dcusa.co.uk/SitePages/Activities/Change-Proposal-Register.aspx) See 268

<sup>5</sup> [www.ofgem.gov.uk/publications-and-updates/half-hourly-settlement-way-forward](http://www.ofgem.gov.uk/publications-and-updates/half-hourly-settlement-way-forward)

<sup>6</sup> [www.elexon.co.uk/group/unmetered-supplies-user-group-umsug/](http://www.elexon.co.uk/group/unmetered-supplies-user-group-umsug/)