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Mandatory Half-Hourly Settlement: aims and timetable for reform

Dear James,

SmartestEnergy welcomes the opportunity to respond to your open letter on Mandatory Half-Hourly Settlement: aims and timetable for reform.

SmartestEnergy has been an aggregator of embedded generation since 2001 and a supplier in the electricity retail market serving large corporate and group organisations since 2008.

Please note that our response is not confidential.

We answer the questions below in the order in which they appear in the consultation document.

Question 2.1 Do you have views on our proposed approach?

The proposed approach (launching an SCR, but only once the work involved has been thoroughly scoped and planned) is not unreasonable.

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.

It is clearly important to assess the full industry-wide costs and benefits of a variety of approaches. One such approach (which we believe will be cheaper overall and which should be considered) may not involve too much IT change for individual



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suppliers and it is preferable for change to be centralised; the current DCC arrangement has effectively centralised (and removed competition from) the area of data collection. It makes sense for the data aggregation role to be expanded within the DCC. There would be savings under the BSC as well as for suppliers and their individual agents as much less performance assurance would be required. Data could therefore be passed in aggregated form direct from DCC to Elexon to perform the settlement function. Such an arrangement would create a natural distinction between Smart and AMR, one with a centralised DC/DA arrangement and one with a competitive element. Such an arrangement would mean that if a customer wished to utilise the services of a competitive DC/DA he would have to withdraw from the DCC and enter the traditional AMR arrangements.

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?

No, there are additional possibilities which should be explored. We believe the best option will involve DCC interventions. Ofgem need therefore to liaise with BEIS sooner rather than later on this issue. As the consultation document concedes "the current settlement arrangements are unlikely to be wholly appropriate for millions of domestic and smaller non-domestic consumers."

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

We believe that much of the expertise required sits within the DCC and Elexon.

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

We would expect to have to spend a lot of time costing the requirements (both development and ongoing) of various potential solutions. Our regulatory team would also expect to attend industry meetings as proposals are developed.

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

The key risk is around the rollout of SMET2 meters and timetable for the adoption of SMET1 meters to DCC.

It may also be a mistake to assume that the solution would just be an extension of elective HH.



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

Figure 1 describes dealing with the DC/DA approach before looking at the settlement solution. This makes sense.

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

Expanding the role of the DCC may require greater political sign on. We consider the settlement function of receiving data from the DCC should be relatively simple even though it is a relatively fundamental change.

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

No

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?

We are comfortable with the notion of contracting settlement timescales. The timetable for reducing settlement timescales should incentivise suppliers to meet the requirement to roll out smart meters.

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

We agree with the scope of issues in this section and have nothing to add.

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

We agree with the scope of issues in this section and have nothing to add.

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

We agree with the scope of issues in this section. We agree that for the group of customers in Profile Classes 1-4 who have non-enrolled advanced meters the most straight forward solution is to HH settle the advanced meters under the current arrangements (i.e. the arrangement used for Profile Class 5-8 customers).





We would add that there needs to be a PAF for accuracy of HH export data not simply for micro generation. Accuracy would have the benefit of improving the GSPGCF.

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

We agree with the scope of issues in this section and have nothing to add.

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

We are most comfortable with regular consultations. We do not find workshops particularly productive.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich

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