

James Earl  
Senior Policy Manager  
Ofgem  
9 Millbank  
London  
SW1P 3GE

06 January 2017

Submission via email: [half-hourlysettlement@ofgem.gov.uk](mailto:half-hourlysettlement@ofgem.gov.uk)

Dear James,

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

Utiligroup welcomes the opportunity to respond to Ofgem's consultation on mandatory half-hourly settlement. We have set out some of our initial thoughts on the consultation below, and are happy to discuss these further and to participate in ongoing dialogue with Ofgem on this important industry programme.

### **Utiligroup View**

Utiligroup sees great potential benefits from half-hourly settlement reform in unlocking innovations for customers.

We are supportive of the programme and also note the key considerations in relation to the availability and use of half-hourly data through the smart metering DCC arrangements which require detailed investigation.

Utiligroup offers to contribute to the working groups as part of the programme where we can provide insight across our extensive customer base and the delivery of multiple industry change requirements.

### **Approach**

Utiligroup recommends approaching this delivery as a major industry change programme.

We note there have been small elective trials by Elexon that while helpful, they do not identify the operational considerations of a whole market change at scale and can be sub-optimal in their interim delivery before enduring arrangements are in place. This view is supported by evidence from our own customer base, experience of which we are happy to share.

We would request clear definition of the approach to cut-over, and reconciliation of historic settlement for days before the cut-over. The approach should also consider the ongoing settlement arrangements for non-Smart meters, or SMETS1 meters (subject to the outcome of the BEIS/DCC SMETS1 enrolment and adoption project).

For such a large-scale industry change, the approach must ensure sufficient time for testing and operational transition (taking learnings from programmes such as Nexus and SMIP on this). As with those programmes, full participation at the earliest opportunity across all size of market participants is vital to a successful and timely outcome. Utiligroup is happy to share thoughts on how such participation can be encouraged and achieved.

## Considerations

As noted in the previous paragraph, the UK Energy Market is highly inter-dependent with multiple major industry changes ongoing. Serious consideration must be given to the interaction of half-hourly settlement reform with the Smart Metering Implementation Programme, Competition Market Authority Energy outcomes implementation and Faster Switching programme, with Energy Flexibility also in consultation. And whilst this programme is about Electricity settlement, reference should also be made to Project Nexus in terms of interdependencies for Supplier organisations, learnings to be made from that programme, and potential interactions between gas and electricity settlement.

We recommend that consideration is given to interaction with Trading & Balancing markets outside the retail settlement environment, and also that economic impact modelling is performed on trading price sensitivity. We have concerns that potential benefits to be achieved from improved Demand Forecasting will not be available to smaller suppliers with less historic data available to them, and their smaller pool of domestic customers preventing smoothing of aggregated volumes in each half hour. Consultation should be done to understand the wider impacts of the proposed changes, for example in linked Demand Forecasting functionality changes required by all Suppliers.

It is important that elective half-hourly settlement is closely monitored and Suppliers, Agents and Elexon work together to understand the barriers faced to make mandatory half-hourly settlement cost efficient and not be detrimental to the customer. We also highlight the complexity of exiting elective trials and moving customer settlement back to the current arrangements. Arrangements for transition into the new arrangements and contingency fall-back arrangements will therefore require consideration.

Ofgem should also consider how profile-based settlement might run in parallel with half-hourly settlement in situations where Smart metering either is not present; is not communicating; or where the outcome of the SMETS1 enrolment and adoption project does not result in those meters (and therefore data) sitting within the DCC solution. The ongoing costs for NHH settlements systems would potentially be spread over a much smaller group of customers.

A final consideration is understanding the capabilities of central systems (including the DCC) to cope with the significant amount of extra data that half-hourly settlement will bring. The DCC for example has a maximum capacity available to it and prioritisation of messaging which will be relevant to understanding how Half Hourly Settlement messaging relates into its operational services.



## Timescales

Given the above points the ability to deliver this major industry programme needs detailed analysis. In particular the dependency on outcomes of a Significant Code Review and subsequent scoping, planning, industry consultation and implementation makes the intention to decide on how and whether to implement in the early part of 2018 look potentially ambitious. The BSC change process is rigorous and will take time to define and execute.

Utiligroup is committed to support the important work by Ofgem in this programme and to contribute to its work. It is part of our '7 industry programmes for 2017' strategic change focus owned by board level by our Strategy & Marketing Director.

We hope you find these comments helpful, and as mentioned above we would be happy to discuss our thoughts with you at an appropriate point.

Kind regards

Karen Lee  
Head of Advisory & Consultancy

