



Making a positive difference
for energy consumers

Supplier Agents
(Data Collectors and Data
Aggregators, both Half Hourly
and Non-Half Hourly qualified),
Electricity Suppliers, other
interested parties

Email: half-hourlysettlement@ofgem.gov.uk

Date: 21 August 2017

Dear all,

Request for Information to inform initial consideration of whether or not to centralise Data Collection and Data Aggregation under mandatory half-hourly settlement

On behalf of the Gas and Electricity Markets Authority, Ofgem is writing to supplier agents to seek information to inform initial consideration of whether or not to centralise Data Collection and Data Aggregation under mandatory half-hourly settlement (HHS). The specific information we are requesting from you is set out in the Annex below.

This information is being requested on a voluntary basis pursuant to the Gas and Electricity Markets Authority's general market monitoring functions under section 47 of the Electricity Act 1989. You should note that the information we receive may be used for any purposes relating to Ofgem's functions.

Background

We recently launched a Significant Code Review (SCR) to progress our work on mandatory HHS.¹ Building on the roll-out of smart meters, this aims to make the settlement process more accurate and timely. It seeks to deliver positive outcomes for consumers by facilitating lower bills, reduced environmental impacts, enhanced security of supply and a better quality of service.

One aspect of our work is to consider whether or not to centralise functions currently performed by supplier agents. In particular, we will consider whether or not to introduce a central agent to carry out Data Collection and Data Aggregation. This has been a long-standing question which was discussed at the previous Ofgem Electricity Settlement Expert Group.² The CMA also specifically recommended that we consider this question in the findings of its Energy market investigation.³

¹ <https://www.ofgem.gov.uk/publications-and-updates/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group>

² <https://www.ofgem.gov.uk/electricity/retail-market/forums-seminars-and-working-groups/electricity-settlement-expert-group>

³ CMA (2016) Energy market investigation - Final report, paragraph 20.28(a)(iii)
<https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

Our SCR scope includes meter operation as well as Data Collection and Data Aggregation. Our November 2016 consultation noted views from some stakeholders that, if we introduced a central agent for other supplier agent functions, we might also want to consider the future role of meter operators.⁴

However, our initial focus is considering whether or not to centralise Data Collection and Data Aggregation, which is the scope of this initial Request for Information (RFI). This is in line with the CMA's recommendation. It also reflects that some stakeholders thought that changes to meter operation could be a consequence of any changes to other supplier agent functions.

The question of whether or not to centralise Data Collection and Data Aggregation is important, and we do not have a preferred option. Ultimately, we want to come to an evidence-based decision about which option is in the best interests of consumers, in line with our principal objective. We therefore encourage you to provide us with evidence in order to better inform our policy development in this area.

As part of starting to develop our evidence base, we are sending you this voluntary RFI. This seeks information in relation to a number of specific areas. We have chosen to focus on these at first so that we can proceed in an efficient way. We will examine the results of this RFI alongside other initial evidence we gather – we will then decide what further information we require. We will ensure that you will have the opportunity to provide additional information and views before we reach a conclusion.

Confidentiality

Any information provided to Ofgem which relates to the affairs of an individual or a particular business will be subject to statutory restrictions on disclosure under section 105 of the Utilities Act 2000, and therefore Ofgem would only be able to make a disclosure of such information in the circumstances where a relevant exception applies. The exceptions to the statutory restrictions include where the disclosure is necessary to facilitate the statutory functions of Ofgem (eg the publishing of information to promote the interests of consumers) or other public bodies. In so far as it is practicable to do so, Ofgem will normally seek your consent before making any disclosure.

You should note that Ofgem cannot provide any assurances in relation to the treatment of information which may be the subject of a request made under the Freedom of Information Act 2000 ('FOIA'). However, we can confirm that Ofgem will always consider whether the statutory restrictions on disclosure apply to the requested information and therefore whether one or more of the FOIA exemptions apply.

Before deciding whether to publish any information relating to the affairs of a particular company, Ofgem is required to consider whether it is appropriate to redact any information on the basis that the information would or might, in our opinion, seriously and prejudicially harm the interests of that person ('confidential information'). In order to conduct this assessment, we would ask that you indicate in your response whether you consider any information to be confidential information and where possible brief reasoning in support of your views. Where appropriate, we may seek further representations from respondents at a later stage in respect of any specific information Ofgem is proposing to publish.

Response and contact information

We are grateful for any information that you are able to provide in response to this RFI, and would encourage you to respond. Please send your response by e-mail to half-hourlysettlement@ofgem.gov.uk by 29 September 2017.

⁴ Ofgem (2016) Mandatory Half-Hourly Settlement: aims and timetable for reform, paragraph 4.7. https://www.ofgem.gov.uk/system/files/docs/2016/11/mandatory_hhs_planning_consultation.pdf

While this request is primarily targeted at supplier agents, we also welcome information from electricity suppliers and other interested parties. We particularly welcome comments from suppliers and other interested parties in relation to the topics on exceptions, performance levels, value-added services and managing industry change.

We are aware that one option (the introduction of a central agent) would have a significant impact on the businesses of existing supplier agents. We therefore recognise that you are likely to be keen to engage with us. We are happy to arrange meetings (or teleconferences) to discuss your response and your wider views on this topic. More generally, we will engage with stakeholders as we progress this work. Appendix 1B of our SCR launch statement sets out our current plans for consultation with stakeholders and engagement opportunities.⁵

If you would like to arrange a meeting, or if you have any questions about this RFI, please contact Martin Bell at half-hourlysettlement@ofgem.gov.uk.

Yours sincerely,



Cathryn Scott
Partner, Energy Systems

⁵ Ofgem (2017) Electricity Settlement Reform Significant Code Review – appendix 1B: opportunities for consultation and engagement.
https://www.ofgem.gov.uk/system/files/docs/2017/07/appendix_1_significant_code_review_timeline_consultation_feedback_summary_and_scope_0.pdf

Annex: Voluntary Request for Information

Guidance

- Please explain your answers and provide as much evidence as possible.
- Please specify any assumptions made when answering these questions.
- For questions which relate to Half-Hourly (HH) Data Collection/Data Aggregation activities, please indicate if your answer is different for HH sites using the new elective HHS processes⁶ than for other HH sites.

Exceptions⁷ at present

Scope: All existing Data Collectors/Data Aggregators.⁸ If you only provide Non Half-Hourly (NHH) or HH services, please answer only the corresponding part of these questions.

Additional guidance: We appreciate that the impact of exceptions will differ depending on whether they are resolved before the final reconciliation run (RF), or whether they are crystallised in settlement. We welcome information about the extent to which particular exceptions are resolved quickly or at all.

1. Please outline the main sources of exceptions at present for:
 - a. Your NHH Data Collection/Data Aggregation activities
 - b. Your HH Data Collection/Data Aggregation activities
2. How important⁹ are hand-offs¹⁰ as a source of exceptions at present for:
 - a. Your NHH Data Collection/Data Aggregation activities?
 - b. Your HH Data Collection/Data Aggregation activities?

Exceptions in the future

Scope: All existing Data Collectors/Data Aggregators.

Additional guidance: We appreciate that the impact of exceptions will differ depending on whether they are resolved before the final reconciliation run (RF), or whether they are crystallised in settlement. We welcome information about the extent to which particular exceptions are resolved quickly or at all.

3. For domestic and small non-domestic sites (those currently in profile classes 1-4), how do you expect exceptions to change over the next three to five years? Please consider at least the following aspects:
 - a. Number of exceptions
 - b. Sources of exceptions
 - c. Materiality of exceptions

⁶ The new elective HHS processes were implemented between February and June 2017. For a list of the changes, please see: https://www.ofgem.gov.uk/system/files/docs/2017/03/elective_hhs_-_tracker_for_website.pdf

⁷ Exceptions are anomalies in the data used in settlement which could affect the accuracy of settlement.

⁸ We use the terms Data Collector and Data Aggregator as defined in the Balancing and Settlement Code.

⁹ This could include how common it is for hand-offs to create exceptions, as well as the materiality of exceptions which are created.

¹⁰ Hand-offs occur when data is exchanged from one party to another.

4. Would you expect any of the following developments/potential developments to affect exceptions (and if yes, how)?
 - a. Smart meter roll-out
 - b. Mandatory half-hourly settlement
 - c. Centralised registration
5. Are there any other developments affecting exceptions we should be considering? If yes, please explain their potential impact.
6. Do you expect changes to the importance¹¹ of hand-offs as a source of exceptions?
7. If you expect there to be any changes in relation to exceptions (in your answers to questions 3 to 6 above), please explain how this would affect the way in which you identify and resolve them.

Current HH supplier agent activities

Scope: For existing HH Data Collectors/Data Aggregators only. Please answer in relation to your existing HH Data Collection/Data Aggregation service.

8. What proportion of your existing HH Data Collection/Data Aggregation costs relate to IT systems? When answering this question, please include associated costs which are directly related to your IT system (eg staff costs or software licence payments). Please explain clearly how you have arrived at your answer.
9. Which HH Data Collection/Data Aggregation tasks do you currently perform on a manual basis, and which do you perform on an automated basis? Please explain the rationale for your approach, (especially where you consider that a task could potentially be performed on either a manual or an automated basis).

Impact of mandatory HHS

Scope: All existing Data Collectors/Data Aggregators.

10. Assume you were appointed to provide Data Collection/Data Aggregation services for a material number of domestic or small non-domestic HH customers (eg one million customers).
 - a. What changes would you need to make to your existing Data Collection/Data Aggregation systems and processes to take on these customers?
 - b. How significant would these changes be?
 - c. Please estimate the incremental costs you would incur. Please provide separate estimates for upfront costs and ongoing costs. (At this stage, we recognise that any estimates will be subject to uncertainty – as part of your answer, please therefore explain any key factors which could affect your estimates).
 - d. As context, please provide the costs for your last major systems upgrade.

¹¹ This could include changes to the number, proportion or materiality of exceptions caused by hand-offs.

Performance levels

Scope: All existing Data Collectors/Data Aggregators.

11. Do you aim to deliver a level of settlement performance in line with the requirements in the Balancing and Settlement Code (BSC), or do you aim for another level? Please explain the factors which influence this decision.
12. Are you aware of specific cases where your performance level was a determining factor in helping you to win a contract from a supplier? If yes, please provide evidence where possible.

Value-added services

Scope: All existing Data Collectors/Data Aggregators.

13. Please outline the value-added services you provide to suppliers (or directly to customers), in addition to the Data Collection/Data Aggregation requirements in the BSC. Please also outline any other value-added services that you envisage providing in future.
14. For each service outlined in your response to question 13 above, please indicate:
 - a. Whether there are cost savings or other synergies from providing this service alongside Data Collection/Data Aggregation. If there are, please explain how these cost savings or other synergies are derived.
 - b. Whether it would be possible to provide these services without also carrying out Data Collection/Data Aggregation, assuming that you still had access to relevant consumption data.¹² Please explain the reasons for your answer.

Managing industry change

Scope: All existing Data Collectors/Data Aggregators.

15. How well do you think the current supplier agent set-up enables the timely delivery of code modifications and other industry changes? To what extent have Data Collectors/Data Aggregators positively or negatively affected the speed of industry changes, relative to other parties? Please provide examples to support your answer.

Other evidence

Scope: All existing Data Collectors/Data Aggregators.

16. Is there any other evidence which you would like to provide at this stage? (As noted in the cover letter, we will ensure that you will have the opportunity to provide additional information and views before we reach a conclusion).

¹² We are working to identify options to address the data access issue which are compatible with relevant data protection regulations, include appropriate consumer safeguards, and can be practically implemented without imposing disproportionate costs or complexity on industry.