



Making a positive difference
for energy consumers

Feedback Form

Once completed, please send this form to HalfHourlySettlement@ofgem.gov.uk by 1 September 2017.

Organisation: E.ON

Contact: Alex Travell

Is your feedback confidential?

YES

NO

Q1.

Do you agree with our proposal to opt for *SCR Option 3: Ofgem leads an end-to-end SCR process*, as outlined on pages 5-6 of the

Yes, we agree that the third option for the Significant Code Review (SCR) approach is the best way to progress to ensure a timely and efficient delivery of this project.

This type of cross-code, major reform project is just the scenario that was envisaged when the Significant Code Process was developed.

Other industry projects including P272 and Project Nexus (the reform of gas settlement arrangements), did not follow the SCR process and as a consequence were delivered in a sub-optimal way, which led to increased costs for all stakeholders and consumers, and delayed delivery times.

Launch Statement?

Q2.

Do you agree with our proposed governance model for the Target Operating Model, outlined on pages 6-8 of the Launch Statement and detailed in Appendix 2A? This includes the Terms of Reference for the DWG and DAB in Appendices 2C and 2D.

The proposed governance model for this stage of the SCR looks robust and embraces the principles of good regulation by promoting inclusivity and transparency.

The objective of attempting to provide an appropriate balance between industry-led development of mandatory Half-Hourly Settlement (HHS) arrangements and Ofgem oversight is good and something that we would support. Suggesting that the Target Operating Model (TOM) be delivered without Ofgem directly undertaking the design work is good in principle. However it is important that Ofgem must not be too detached from the TOM development work.

It wouldn't be in the programme's interest for the industry to design a TOM only for it to be rejected by Ofgem. In this scenario unnecessary delay may be introduced into the project that ultimately could impact upon the implementation timescales for the planned reforms.

We agree that the key policy areas for debate in the SCR should be led by Ofgem. These include regarding access to customer's Half-Hourly data, consumer protection and decisions on whether or not to centralise functions currently performed by supplier agents

However decisions regarding these will have a material impact upon the development of the TOM. It is therefore imperative that development of policy decisions is progressed in a timely manner with clear dates for delivery on decisions. This will assist the TOM delivery and allow for a clear and cohesive plan to be developed by the Debt Working Group.

Without a joined up approach between the TOM development and the required policy decisions there is risk that the TOM element of the project undertakes nugatory activity or is left waiting for prolonged periods unable to progress further until it is provided with guidance around areas of policy.

Q3.

Do you agree with the Target Operating Model Design Principles, set out in Appendix 2B?

We can see the logic behind each of the principles and what they are attempting to achieve. It might be better to redraft these to provide greater clarity as to what benefit the principle would have for an electricity consumer.

This observation is equally true of higher level outcomes for the project. For example why does the principle to *"promote the efficient use of, and investment in, energy infrastructure that delivers on government objectives of a flexible, safe and secure low-carbon electricity system"* have any value and interest to consumers?

If the principles and objectives were drafted in a way in which this was clearer then it may be more helpful to the project in trying to enlist the future buy-in and support for its objectives. This might be important and useful at certain stages in the project such as the discussions that will be needed regarding access to consumer's data and in addressing more general privacy concerns.

This would be similar to the approach adopted by Ofgem when it took control of Project Nexus and developed its criteria to assess the successful delivery.

Regarding specific TOM design principles and strategic objectives, there are several comments we want to make which we have set out below.

Firstly:

"to incentivise current and future retailers and suppliers to encourage customers to shift their consumption behaviour, contributing towards a more cost-effective electricity system"

could be redrafted to read:

"to incentivise current and future retailers and suppliers to facilitate the flexible electricity usage by their customers, contributing towards a more cost-effective electricity system that will ultimately lead to lower overall costs for all".

Secondly:

"to develop consistently with Ofgem decisions on policies relating to access to Half-Hourly data for settlement purposes, consumer protection and the question of whether or not to centralise functions currently performed by supplier agents"

is sensible but the TOM needs to be clear that these policy decisions need to be made first and then the principles can be incorporated within it. Perhaps it should be redrafted along the lines of:

"to incorporate in the design the policy decisions relating to access to Half-Hourly data for settlement purposes, consumer protection and the centralisation of functions currently performed by supplier agents".

Thirdly, the first part of the principle:

"to become faster and more efficient, reducing the barriers to entry in the energy market"

seems to be a replication of:

"be flexible to deal with future policies and initiatives" and is therefore unnecessary.