

Feedback Form

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

Organisation: Stark Software International Ltd

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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 Launch Statement?*

We support the proposal of Option 3 as the preferred way forward.

We agree that moving to mandatory half-hourly settlement (HHS) will require significant cross-code and licence changes, and Ofgem leadership will lend consistency and coherence. We believe this is supported by the experience of P272, where an alternative approach was taken.

We believe that there is a risk that proposals fail to receive adequate scrutiny from fully independent parties, and may fail to capture the concerns of major stakeholders, and in particular energy consumers. One advantage of following either Option 1 or 2 is the modification process allows the full participation of market participants represented at PAB, for example. Provided representation at the major committees - the Design Working Group and Design Advisory Board in particular – is fully representative this risk should be ameliorated.

We welcome the acknowledgement in Appendix 1E to “standard CMA appeal rights” . However we note there is no clarity into the timescales, approach, process or decision criteria around the potential centralisation of Agent roles which involves very significant competition concerns. We assume therefore that the SCR will commence with this option undecided. It is therefore necessary for all options generated by the DWG that a thorough, balanced review regarding the effects on competition in all affected markets, including metering services providers, is carried out and we would therefore expect this activity to be reflected and the appropriate expertise deployed.

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.

We recognise that Elexon's role as code administrator of the BSC is an advantage and will allow them to leverage existing technical expertise. Similarly, we recognise they are well placed to reach a wider group of industry stakeholders for the purpose of consultation. However, we feel that they are less familiar with the benefits of a competitive market and consumer issues, both of which will need to be assessed and feed into the TOM design work.

Given the potential impacts this SCR could have on consumers, both domestic and smaller non-domestic, it is extremely important that their views are sought and requirements addressed. We would recommend that there is both domestic and non-domestic consumer representation on each of the boards/groups that comprise this governance model. If this proves difficult then we would recommend organisations that work directly with these consumers should champion their concerns.

The Terms of Reference for the DWG state that TOM design recommendations "must be consistent with Ofgem policy decisions", but there is very little information on how and when these decisions will be made. Taking the centralisation of Agent roles as an example; a thorough assessment of the impact on competition is essential to inform Ofgem's decision. As we note in Q1, no details of the timescales, approach, process or decision criteria have been provided. This will at best complicate the option generation work of the DWG and the review process as each option would have to be tested individual from a competition perspective, or worse, the DWG would risk recommending options which had not been fully tested and therefore liable to certain challenge further down the line.

Without clear direction, the DWG are very limited in what they can achieve, so; in our view, the policy decisions need to come first.

Q3.

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

Purpose

For us there are some important strategic objectives that are missing from 1.6, such as; "promoting competition in metering and data services " and "promoting consumer freedom of choice". Both of these are consistent with Ofgem's principal objectives and their absence could prejudice design work towards, for example, a centralised Agent model, especially when there is no clear policy direction on whether this will happen or not.

The "specific measures of success" listed at the end of Appendix 2B make no mention of promoting innovation of products and services through the use of HHS, which is a key benefit to consumers. Moreover, there are no measures of success that promote arrangements which will protect the benefits of a competitive market. We recommend the following addition: arrangements should avoid the diminution of competition in the market generally, avoid the creation of "winner-takes-all" market structures and to limit the creation or extension of existing monopolies. This could help to prevent any bias when taking decisions on TOM design recommendations.

Detailed Design Principles

Performance Assurance and Supplier Charges should be a separate Design Principle, rather than forming part of the Settlement Timetable workstream. Elexon have already started work on the PAF Review, which could be subsumed by the SCR and contribute to developing this as a Design Principle.

2.3 "Data Retrieval and Processing" – For the DWG to properly consider this Design Principle they need to be clear on the benefits of a competitive metering market, we hope that Ofgem will provide robust research and analysis on this before the DWG meets and before making their policy decision.

2.6 "Change of Measurement Class (CoMC)" – smart CoMC processes have already been introduced to support EHHS (CP1474, CP1469) and therefore this does not need to be a Design Principle.

There is no reference to the treatment of Advanced metering in Profile Class 01-04 in the detailed Design Principles. We estimate there will be ~1 million such meters installed by the Advacend Meter Exception end date that will require their own approach. Given the established, market led approach in P272 we would recommend these follow the same path.