

Design Advisory Board – Meeting 1

Session 1 - Welcome & Introduction

1 Welcome & Overview and Administrative Matters

- The Ofgem Chair (Chair) opened the first Design Advisory Board (DAB) meeting and set out the day's objectives; providing an overview of settlement reform, setting the context of the Target Operating Model (TOM), providing an overview of the HHS policy issues and evidence gathering, and an overview of the TOM design work to date.
- The Chair noted that two DAB members, Judith Ward and Catherine Mitchell, were unable to make the meeting and explained that Ofgem would be holding a shortened introductory meeting with the two DAB members in late November.
- The Chair provided a brief overview of the potential benefits of market-wide half-hourly settlement (HHS) and a summary of the implementation of HHS to date through P272/P322 and elective HHS.
- The Chair provided the DAB with the current meeting plan and noted the next meeting was scheduled for January 2018 to follow the Design Working Group meeting on 10 January. DAB members agreed to provide Ofgem with their availability for the second DAB meeting in mid-late January by Friday 1 December and also agreed to scheduling an additional DAB meeting in March/April 2018.
- The Chair provided an overview of the draft DAB Terms of Reference, noting that responses provided to the Significant Code Review (SCR) feedback were largely supportive of the draft Terms of Reference. The DAB had no additional comments and agreed to finalise the Terms of Reference.
- The Chair proposed that alternates for the DAB be drawn from unsuccessful DAB candidates and nominees provided by DAB members. The DAB members agreed to this approach and also agreed to providing nominees for alternates to Ofgem by Friday 1 December.

2 Ofgem presentation on HHS objectives and broader Ofgem context

- George Huang (GH) provided an overview of other Government and Ofgem change programmes which interact with HHS. This included a short overview from Kiera Schoenemann on Ofgem's call for evidence on the future of supply market arrangements.
- It was agreed that all slides will be circulated with the group after the meeting and published on Ofgem's DAB web page.
- GH gave an overview of the Design Principles, focusing on Ofgem's proposed amendments in response to SCR feedback. DAB members broadly agreed with the proposed amendments and provided additional feedback on the design principles. The Chair agreed to update the Design Principles to take into account DAB member comments and would circulate an updated copy shortly for the DAB to finalise offline.

Session 2 – Overview and discussion of HHS policy

3 Whether or not to centralise functions currently performed by supplier agents

- To provide context for the TOM work, Martin Bell presented the DAB with an introduction to the Ofgem policy question of whether or not to centralise supplier agent functions.

- The DAB was also asked to provide their strategic views on the potential impacts on innovation, noting that any comments provided would be included as part of Ofgem’s evidence gathering on the issue.
- Key comments and issues raised by the DAB members during the discussion were:
 - Suggestion that a fast decision would be helpful to avoid a hiatus in investment and innovation by supplier agents
 - The focus of any Ofgem policy decision should be to make the right decision in objective terms, rather than to protect existing business structures or market segments for their own sake
 - The use of settlement data by innovators will often be for audit or financial purposes rather than the provision of energy services, which will frequently require more granular real time consumption data. However, HHS data still has an important role to play for innovators eg. in providing data for audit and financial purposes
 - It was suggested that, while a centralised supplier agent may create inefficiencies, data aggregation is not very dynamic in current settlement arrangements as agents have to follow detailed rules around aggregation. This was followed by a discussion around the value which competitive supplier agents can bring, particularly around data collection
 - The limitation of settlement infrastructure is in many cases the communication to the meter at the customer site
 - It is important to bear in mind that some of the current market structures were created to work around technological limitations which no longer exist. Any decision will therefore need to take into account the future technological options (eg blockchain).
 - The need to understand the relationship between innovative services which supplier agents could provide and data aggregation and collection functions required under the BSC
 - Innovators may have an interest in anonymised market data (eg for forecasting) as well as individual customer data
 - A clear distinction between consumer data and aggregated data is key

4 Access to half-hourly data for settlement and consumer protection issues

- Jenny Banks (JB) provided an overview of the access to data for settlement policy area and informed the DAB on the five options for access to data. JB also provided a brief overview on consumer protection issues being considered by Ofgem as part of this SCR.
- The DAB were asked to share their views on the options being considered for access to data for settlement.
- Key comments and issues raised by the DAB members during the discussion was;
 - For suppliers to be able to incentivise customers to shift consumption, they may require access to HH data for more than settlement purposes only e.g. forecasting, billing and marketing. The DAB considered how suppliers would be able to access the HH data for non-settlement purposes and the challenges this may create
 - Some DAB members felt that the status quo position for access to HH data would not be satisfactory as it would not enable market-wide half-hourly settlement which is a key enabler for innovation needed to reduce carbon emissions.

However, it was also recognised that customers may have legitimate reasons for not wanting their HH data to be collected

- There was a discussion around the potential for better communication by industry with customers to inform them of the benefits of allowing access to their data
Requiring customer permission to access HH data for settlement may encourage this. However, concerns were also raised that having an 'opt in' regime would be likely to materially reduce the amount of sites which are HH settled and thereby reduce the benefits of market-wide HHS
- Ability of suppliers to innovate by providing customers with a choice of tariffs/deals depends on how much data the customers allows the supplier to access and for what purpose
- Effects on vulnerable customers of HH settlement will need to be considered
- Different access to data options and the incentives they may put on those taking up innovative products e.g. electric vehicles
- The group discussed options to anonymise/pseudonymise data. It was also recognised that these options may allow a higher proportion of customers to be half-hourly settled than option 1 or 2, but this would have to be balanced against the costs and complexity of anonymization/pseudonimisation, which were thought to be significant.

Session 3 – Overview of Design Working Group, TOM design work to date and initial member views

5 ELEXON DWG Update and Assumptions Task

- ELEXON updated the DAB on the progress in the DWG to date and the schedule for the next DWG meeting on 15th November.
- ELEXON ask the DAB to consider the statement 'HHS is an enabler for innovation to provide consumer benefits' and presented a range of assumptions and risks to consider when answering.
- The DAB discussed the statement and key issues raised were:
 - the communication of SMETS1/2 data to suppliers. DAB members discussed meter communication issues encountered by SMETS1 and AMR meters to date. It was agreed that the transition plan should factor in such issues, and communication issues which could arise from SMETS2 meters
 - the DAB discussed access to data and queried how access rules would work in a world of fast switching, multiple energy service providers and also other services that may want access to customer data. It was important to establish who would have access to the data, how it would be accessed and what the rules around access would be. DAB members also discussed how consumer privacy would be protected in such an environment
 - It was noted that limiting the design of the settlement arrangements to the technical specifications of smart meters currently being rolled out could be a risk to future settlement innovation. Thus the TOM should consider accommodating future changes in settlement timeframes in the future, e.g. 15 minute settlement

6 ELEXON Draft Strawman TOMs Presentation

- ELEXON presented the DAB with the current supplier volume allocation (SVA) and used cases for each of the main customer categories (Smart with half-hourly (HH) data available,

smart without HH data available, non-smart metering without HH capability, traditional HH and unmetered suppliers).

- ELEXON gave the DAB members an overview of the 'least change' and 'most change' TOM strawmen options which had been developed to allow them to see the spectrum of options available. ELEXON then proceeded to walk the DAB members through the five strawman TOMs.
- The DAB discussed how to best test whether the TOM models enabled flexibility, future innovative models and ability to measure domestic export. The DAB agreed that a good approach to test this would be to develop scenarios of new technologies and business models which the strawman options could be run through. The Chair stated that Ofgem would develop a list of scenarios and circulate for DAB comment.

Actions and Next Steps

Actions agreed by the DAB were:

- a. The DAB agreed to finalise the terms of reference
- b. And agreed to scheduling an additional meeting in March/April

Following the first DAB meeting, the next steps are:

- a. DAB members will nominate an alternate by 1st December 2017
- b. DAB members to provide availability for second and third DAB meetings in January and March
- c. Ofgem to finalise Design Principles with DAB comments and to circulate to the DAB for final approval
- d. Ofgem to draft scenarios for DAB members for comment

Attendees

Anna Stacey – Ofgem (Chair)

Cathryn Scott – Ofgem (session 1, Welcome & Overview)

Justin Andrews – ELEXON (Design Working Group Chair)

George Huang – Ofgem

Kate Mogg – Ofgem

Jenny Banks – Ofgem (session 2, Access to half-hourly data and consumer protection issues)

Martin Bell – Ofgem (session 2, Whether or not to centralise functions currently performed by supplier agents)

Kiera Schoenemann – Ofgem (session 1, Ofgem presentation on HHS objectives and broader Ofgem context)

Chris Allanson – Energy Networks Association

Sara Bell – Tempus Energy

David Crossman – Cornwall Energy

Mitch Donnelly – British Gas

Lowri Gilbert – BEIS

Stew Horne – Citizens Advice

Chris King – Siemens

Graham Oakes – Upside Energy