Design Advisory Board – Meeting 2

Session 1 - Welcome & Introduction

1 Welcome & Overview and Administrative Matters

- The Ofgem Chair, Anna Stacey, (Chair) opened the Design Advisory Board (DAB) meeting and set out the day's objectives: providing a project update on the team's work streams, an update on relevant stakeholder feedback to Ofgem's call for evidence on the future of supplier market arrangements, and confirmation of DAB alternates.

- The Chair updated the DAB on Ofgem's organisational re-structure.

- Kate Mogg (KM) gave an update on the Settlement Reform teams' work streams: the business case, policy work on access to half-hourly (HH) data for settlement and vulnerable consumers, and consideration of whether or not to centralise supplier agent functions. The DAB asked about the questions that will be asked in the access to HH data for settlement consultation that will be published this spring with our Privacy Impact Assessment (PIA). The Chair noted that the draft skeleton TOMs will feed into the PIA and vice versa.

- George Huang (GH) provided an update on the general stakeholder responses to the future of supply market arrangements call for evidence which are relevant to the Settlement Reform SCR. The DAB asked for someone from the responsible team to present at the next DAB meeting. Ofgem noted they have confirmed this internally with the team and they are planned to present at the next meeting.

- The Chair informed the group that the next Design Working Group (DWG) meeting will be on 14th February and agreed to send around potential dates for the next DAB in March. Going forward Ofgem will propose DAB meeting dates for the remaining DAB meetings to secure the group's availability.

- The Chair thanked the team for alternates which had nominated by the DAB members to date. There was a brief discussion about the suggested alternates and Ofgem will be liaising with the DAB members further to confirm the remaining alternates.

2 Ofgem provided feedback on DAB scenarios

- Following from the first DAB meeting where it was suggested that Ofgem create some future 'scenarios' that the DAB can use to assess the TOM design, Ofgem circulated some draft scenarios based on the discussions from the first DAB.

- GH thanked the group on the feedback they provided and gave an overview of the aims for this section of the morning: to update them on the feedback received from the DAB and the DWG and to discuss with the DAB about their views on how they think the settlement system should interact with new technologies with the aim of refining the scenarios and 'future-enabling' the TOM. KM explained the feedback Ofgem received to the DAB.

- Key comments and issues raised by the DAB members during the discussion were:
    - Should the TOM fit a system where a 'supplier' isn't required? Consumers in the future may able to distribute energy supply self-sufficiently and use insurance options when backup energy is needed, rather than using suppliers to access the wholesale market supply.
    - Arrangements for access to HH data and customer consent deeply affects these scenarios. The question of access to HH data for purposes wider than just settlement warrant some consideration at this point to ensure that today's decision does not 'close doors' on future opportunities, which may prevent the realisation of wider customer, energy system and/or societal benefits. The DAB thought that the question of access to data has many different layers and is like concentric circles: the inner circle being the need for half-hourly data for today's settlement purposes, the next who may need half-hourly data for tomorrow's settlement system (e.g. for settlement after any changes to the supplier hub), the next circles might be the needs of the networks, third-parties and innovators and wider 'public interest' purposes.
    - The DAB discussed the purpose of settlement and the benefits of using HH data. ELEXON gave an outline of settlement and the key benefits of using HH data as more accurate and simplified supplier volume allocation processes, which makes things simpler for new entrants and helps to unlock the benefits of innovation. HH settlement is about saving money and unlocking benefits of technological change for consumers.
    - DAB members asked questions relating to the current settlement system and how meters are treated under those arrangements. It was noted that settlement records import and export. ELEXON added they are separately exploring the issue of 'behind the meter' and what can be done under the Balancing and Settlement Code (BSC) to get information for non-settlement purposes.
    - One DAB member felt that the settlement system should allow for business models that treat equipment involved in distributed energy resources (e.g. distributed generation, demand response, energy efficiency, electric vehicles, and microgrids) to be served by businesses/suppliers focused on those resources. An example is companies providing electricity to electric vehicles. In order to support those business models and allow direct procurement of electricity for the customers of those businesses, they considered that the end points should be allowed to be MPANs. This would require a shift to "device-based MPANs" (what is known today as behind the meter) compared to the current premise-based MPANs. This concept is already the case in some places around the world, where solar power inverters include built-in meters, the data for which is used in billing. Another use case is meters built into EV chargers.
    - The DAB members discussed the challenges of adapting the current settlement arrangements to support innovations such as commercial lamp post charging for EVs. Ideas were raised that the proposed TOM should be able to handle an Electric Vehicle (EV) being charged at several locations but billed to one person. One suggestion was that the vehicle should become the meter. However, it was added that meters built into EV chargers may not be possible to accommodate in settlement, because at present MPANs, by definition, have a permanent connection point to the distribution network, whereas EVs connect to the network at multiple different locations

- Another suggestion was that the system should consider the application of arrangements that are currently in place to locate and charge debit cards and mobiles, to support EV charging.
- In the discussion around multiple suppliers, it was raised that under Peer to Peer (P2P) models the number of suppliers could substantially increase.

- Ofgem asked the DAB to provide any further comments on the DAB scenarios discussion questions outlined in the slide pack by email.

Session 2 – Update on TOM design work

- ELEXON briefed the DAB on the DWG progress to date. ELEXON updated the group on the progress reached since the first DAB meeting.

- ELEXON ran the group through the DWG baseline principles, which are principles developed by ELEXON and agreed by the DWG to help progress the stage 1 TOM design work and complement the TOM design principles set out by Ofgem in our Significant Code Review (SCR) launch statement.

- It was suggested that the third DWG baseline principle, which states that 'while non-settlement activities (such as billing) are out of scope, design will aim not to be actively detrimental' should be amended to clarify that design will not be detrimental.

Session 3 – Overview of TOM options & DAB member initial views

- ELEXON presented the DAB with the five skeleton TOM options, briefing them that the DWG had three initial preferred TOM designs, namely TOMs A, C and E. It was proposed that the DAB prioritise their considerations on these three initial designs.

- ELEXON outlined the different settlement services involved in settlement arrangements and informed the group about each service's responsibility in the TOM settlement system. Where applicable each service was related back in the ELEXON slides to the DAB scenarios for the group to think about when evaluating the skeleton TOMs.

- Key comments and issues raised by the DAB members during the discussion were:
  - They would like ELEXON to outline the inputs and outputs of the identified services in the skeleton TOMs in a clearer way, to help the DAB assess the TOMs.
  - One DAB member felt that for a distribution area to run smartly, smart systems with Distribution Service Providers (DSPs) would be necessary.
  - It was suggested that complexity is a huge barrier for new entrants, so if the system was re-designed from scratch how would we design a system without the complexity?
  - Some DAB members considered that the current definitions of 'meter' are becoming rapidly outdated, including current requirements of the Measuring Instruments Directive, and that it is important to avoid designing a future settlement system around an outdated concept of what a meter does and is.
  - Some DAB members suggested that the energy system should be able to meter mobile consumption. An example was raised of how mobile phones move as an

individual moves and register with different cell towers automatically and are able to connect to different frequencies in different parts of the country; it was suggested that this sort of system could be reflected within the energy market. E.g. having a mobile meter that is able to identify when it moves between Grid Supply Points.

- The DAB discussed how EV charging is currently being recorded – for example, under unmetered supply arrangements. Ideas about changing the current arrangements included: as the EV has a meter inside the vehicle, the EV could record its consumption through its own meter and use sim cards to track where it charges.
- The potential impact of an Ofgem policy decision on whether or not to centralise supplier agent functions on the TOM options and the potential wider impacts, beyond just settlement, of any decision to centralise or not. The DAB requested that Ofgem provide an update in next DAB meeting on the progress of the consideration of this policy issue. (Ofgem noted that this decision is being handled separately from the TOM design work on which the DAB is advising).
- Some DAB members would like to assess whether the TOM could be flexible enough for a consumer, under P2P, to choose to buy from several different people within a settlement period.
- DAB members noted that faster switching and HH settlement data will result in vast amounts of data – which the TOMs will need to accommodate.
- DAB members suggested that to evaluate the TOMs both the DAB and the DWG need to 'score' each model against agreed criteria; such as to facilitate HH data, facilitate data for non-settlement purposes, deliver customer benefits and deliver economic benefits. ELEXON stated that the DWG had developed DWG evaluation criteria and Ofgem noted that it would send them around to the DAB.
- Some DAB members noted the barrier to new entrants created by complex settlement arrangements. Differing views were expressed, with some DAB members considering it a major barrier to entry and others noting that new entrants can procure third-party services which manage their settlement obligations.
- The DAB noted the need for a good understanding of metering services, particularly retrieval, processing and aggregation. Members felt that if these services are competitive, the TOM should be outputs-focused to allow for market participants to innovate and reduce the cost of these services. They considered that new entrants may be able to automate these services and 'self-service' at a lower cost. Ofgem agreed to consider how the different TOM models would impact on this sort of model.
- DAB members advised that the new design model should be flexible to welcome change and innovation, that it needs to be cheap and it would be desirable to have fewer handoffs than the current arrangements.
- DAB members asked for a detailed cost breakdown (such as costs for each service per MPAN) to help them provide a better analysis of the TOMs. Some DAB members suggested that the DAB/DWG should weigh the whole system costs and compare these based on their impact on the system as well as the service, as it could be the case that more expensive services may be more beneficial to the system as a whole.

Actions and Next Steps

Actions agreed by the DAB:

a. The remaining DAB members to send through their alternates
b. Ofgem to send dates for the next DAB meeting in March and propose dates for future DAB meetings

Following the second DAB meeting, the next steps are:

a. Ofgem to re-circulate ELEXON DWG Assessment Criteria
b. Ofgem to speak to internal colleagues about arranging presentations at the next DAB meeting, presenting on;
    - supplier hub progress
    - the policy question on whether or not to centralise supplier agent functions
c. ELEXON to outline the inputs and outputs of the services in the skeleton TOMs in a clearer way
d. ELEXON to see if further information on the cost, simplicity and the 'self-service' option of for each of the skeleton TOMs can be provided and present this at the next DWG
e. Ofgem to compare TOM proposals with the example of the mobile phone network and present findings at the next meeting.

Attendees

Anna Stacey – Ofgem (Chair)
Justin Andrews – ELEXON (Design Working Group Chair)
George Huang – Ofgem
Kate Mogg – Ofgem
Kieron McGlinchey – Ofgem
Chris Allanson – Energy Networks Association
Sara Bell – Tempus Energy
David Crossman – Cornwall Energy
Mitch Donnelly – British Gas
Will Broad – BEIS
Victoria Pelka – Citizens Advice
Chris King – Siemens
Graham Oakes – Upside Energy
Catherine Mitchell – Exeter University
Judith Ward – Sustainability First