

PUBLIC

Market-wide Half-Hourly Settlement

ELEXON Planning Document: Stage 2



ELEXON

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MARKET-WIDE HALF-HOURLY SETTLEMENT

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INTRODUCTION

This document provides an updated high level plan for progression of ELEXON led work to support Ofgem in its Significant Code Review (SCR) on Market-wide Half-Hourly Settlement (MHHS). It is a revised version based on completion of Stage 1 of the ELEXON work and focuses on the detailed design development in Stage 2.

Ofgem proposed, in the SCR Launch Statement, that ELEXON lead on the development of Settlement arrangements for Market-wide HHS, known as the Target Operating Model (TOM). This follows ELEXON's offer to lead the TOM design work using an expert group.

ELEXON Design Authority will, as part of the Ofgem SCR, lead the design work to develop the options and recommendations for the TOM to provide to Ofgem for decision. The Design Working Group (DWG) is chaired by ELEXON and has experts from all aspects of the energy community including consumer representatives, industry organisations and innovators/new technology bodies. Ofgem are not a member of the DWG but attend meetings of the DWG as an observer and provide strategic input where necessary.

In Stage 1 of the SCR the DWG delivered [a report](#) setting out five skeleton TOMs to be taken forward to consultation provided the go-ahead for Stage 2 is provided by Ofgem.

In Stage 2 experts on more detailed areas may be invited to aid in the development of designs for specific topics such as unmetered supplies or the estimation rules for missing data. The DWG will use Ofgem's objectives and [Design Principles](#) for the development and assessment of options. This will entail further refinement as part of the DWG's work as well as further development of evaluation criteria for the TOM options. The evaluation criteria will be used by the DWG to help assess which TOM options and recommendations should be delivered to Ofgem for decision.

Ofgem are leading on 3 other work streams in the SCR; policy options, business case development and consumer protection, and ELEXON will liaise with and support Ofgem to ensure that:

1. any TOM options developed align with Ofgem's policy decisions. Key policy decisions that interact with the development of the TOMs are access to HH data for Settlement purposes, consumer protection and Ofgem decisions on whether or not to centralise agent functions; and
2. Ofgem has sufficient information in its development of the business case for Market Wide HHS.

As part of the SCR launch statement, Ofgem developed a draft plan for the above work with the intention to make a decision on Market Wide HHS and its implementation arrangements in the second half of 2019.

In stage 2 the ELEXON led DWG will develop a transitional plan for migrating existing metering systems to any new arrangements.

The second stage will also look to develop a detailed TOM taking into account the Ofgem policy decisions as they are made. Ofgem will lead on the final decision making process following the outcome of the Business Case decision.

SCOPE

ELEXON will be responsible for the development and delivery, of options and recommendations by the DWG, to Ofgem for the Settlement design for Market-wide HHS:

- high level TOM (roles and responsibilities, Settlement processes) and system architecture; and
- a plan for transition from Non-Half Hourly Settlement (NHHS) to HHS.

The scope will cover all industry Supplier Volume Allocation (SVA) Settlement process and systems. The scope, approach and timeline of the work are to be agreed with Ofgem. ELEXON will also provide technical support to

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Ofgem on policy development (HH data access for Settlement purposes, data collection/ settlement of export, whether or not to centralise some Settlement functions). ELEXON will also provide advice on consumer protection issues as requested by Ofgem.

Design Working Group

The DWG will attend DWG meeting and may be required to undertake separate work outside the meetings. Where members have volunteered for work groups on specific service area's the DWG are expected to liaise and work with other group members to deliver the defined requirements to the timescales defined in the Terms of Reference (ToR) for those work groups.

EXTERNAL GOVERNANCE

ELEXON's work forms one element of Ofgem's SCR programme of work on MHHS. Under the SCR work programme, Ofgem have developed and agreed with ELEXON the Terms of Reference (ToR¹) for the DWG. The ToR sets out the scope, membership and decision making powers of the DWG. Ofgem will provide timely guidance on the products of the DWG and will attend the DWG meetings. ELEXON will report on TOM options and recommendations developed by the DWG to an external Design Advisory Board (DAB) for the SCR, led by Ofgem. ELEXON will also hold regular management meetings with Ofgem throughout the lifetime of the SCR to ensure work is on track.

Ofgem will sign off each deliverable against agreed acceptance criteria². The TOM design work will feed into the Ofgem led SCR work streams and Ofgem will manage interaction with the other work streams of policy options, business case development and consumer protection.

KEY DEPENDENCIES

There are a number of dependencies that will impact the TOM options to be developed by ELEXON with the DWG. Currently these are assumed as follows:

No.	Dependency	Notes
D01	Smart Meter Roll out	The smart meter roll-out plays a key role in delivering the functionality for HHS. There will be a need to monitor the uptake of smart metering and estimate the potential number of customers remaining on non-smart Meters.
D02	Faster Switching	Interaction of TOMs and any centralised registration arrangements developed to support centralised switching will also need to be considered.
D03	SCR Policy Decision: Data Access	The TOMs will need to reflect the policy decision made on access to HH data for Settlement

¹ The DWG's Terms of Reference are included in Ofgem's SCR launch statement.

² The acceptance criteria are designed to ensure each deliverable meets Ofgem's expectation e.g. due process has been followed and content meets its description (not an evaluation of the TOM models themselves).

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No.	Dependency	Notes
		purposes.
D04	SCR Policy Decision: Centralisation	The TOMs will need to reflect the policy decision made on centralisation of Agent Functions
D05	European Policy	European policies could also impact the design of the TOM. It is likely that changes to Settlement to support European policy decisions will be progressed within the same timeframe, e.g. 15 minute Settlement Period
D06	Flexibility initiatives	The TOMs will need to be seen as a key enabler for any new innovation around demand side flexibility, aggregation, community energy and emerging smart grid options that are currently being developed
D07	Targeted Charging Review SCR and Wider Charging Futures Initiative	Changes to transmission and distribution charging, for demand and generation, could impact the data requirements from any new Settlement processes.
D08	Brexit	The DWG will need to keep an eye on any impacting factors that may come out of Brexit.

These dependencies are captured in a Risks, Assumptions, Issues and Dependencies (RAID) log which is reviewed at each DWG meeting. Ofgem will provide guidance on a number of these key dependencies as well as design principles for use in the development/assessment of TOM options.

PROJECT TEAM

Design Authority (DA) will lead the work within ELEXON. ELEXON and Ofgem have established the DWG for the TOM development work and detailed process work will be the focus of Stage 2. Stage 2 will deliver a consultation on the five TOMs developed by the DWG. Following the consultation further assessment of the TOMs will be undertaken by the DWG. The DWG (potentially using sub-groups) will undertake further development of the requirements for the Services for delivery of MHHS defined in Stage 1. When more clarity on the preferred TOM(s) is available the DWG will develop and consult on the transition plan for migrating existing Metering Systems to any new arrangements.

DA Project Team and governance

The project will be a Design Authority led piece of work with the following internal governance structure. Ofgem will sign off each deliverable against agreed acceptance criteria².

Project Team

The Project Team will be responsible for the drafting of meeting papers, consultations and any other documents for the DWG. The team will also draft the other deliverables resulting from the DWG.

Project Support

The Balancing and Settlement Code (BSC) Administration (BSC Admin) department will support the DWG in scheduling and disseminating information to the DWG membership.

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BSC Admin have established a [BSC webpage for the DWG](#) on which all relevant paperwork, and meeting summaries will be posted for transparency to the wider industry. Any consultations that are undertaken by ELEXON on the TOM design will be published here and sent to any interested parties (list to be agreed with Ofgem). ELEXON will also run workshops/seminars/webinars to educate and inform interested parties.

The DA project lead has established internal support to the SCR from its Project Support Office (PSO) who will maintain the detailed plan, risks, assumptions, issues, dependencies and actions arising from the DWG.

Project Advisors will review the deliverables from the Project Team, including Senior Market Architects from DA, a Technical Design Architect and with input from BSC Operations and Professional Services Departments.

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HIGH LEVEL TIMETABLE FOR THE DWG: STAGE 2

Following the launch of the SCR in summer 2017, in Stage 1 six DWG meetings were scheduled and convened. For Stage 2 the following plan proposes preliminary dates and will be amended depending on DWG progression and interaction with other areas of the Ofgem led SCR.

High Level Timetable

A high level timetable is as follows:



DWG Stage 2: April 2018-June 2019

The planning for this stage is an initial estimate. Stage 2 will be impacted by any policy area developments in particular any decisions on access to HH data for Settlement purposes and whether or not to centralise agent functions.

1. Consultation on Skeleton TOMs and DWG review work on TOM detail

April 2018: ELEXON will finalise the consultation document on the Skeleton TOMs with review from the DWG and Ofgem feedback.

25 April 2018: 7th DWG meeting: DWG review and agree final consultation and questions. DWG agree approach for developing detailed requirements for the Services defined for the TOM options agreed in Stage 1.

April-May 2018: A four week consultation on the Skeleton TOMs.

Early June 2018: ELEXON to summarise consultation responses. ELEXON will propose working groups for progression of detailed requirements for MHHS Services.

13 June: 8th DWG meeting: Meeting to discuss consultation responses, define and agree the DWG work groups areas of work and progression timetables.

2. DWG review of detailed Service development by work groups

June/July 2018: ELEXON will revise the Skeleton TOMs following the DWG discussion at the 8th meeting. ELEXON will set up a meeting schedule with the DWG work groups.

Early August 2018: 9th DWG meeting: Meeting to review progress of DWG work groups and provide guidance for further work.

3rd week September 2018: 10th DWG meeting: Meeting to review progress of DWG work groups and provide guidance for further work.

Mid-November 2018: 11th DWG meeting: Meeting to review progress of DWG work groups and provide guidance for further work. Consider Ofgem decisions on policy work areas and implications for the detailed TOM development. Give guidance to DWG work groups on TOM impacts (e.g. which TOM options ruled out).

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3. DWG work groups on lower level Service requirements for TOMs

The DWG work groups will develop the lower level service requirements and report and make recommendations to the DWG. These will be developed during work group meetings and individual pieces of work to be conducted by the work group members between meetings.

There will be four DWG workgroups split by the following Services:

- Retrieval, meter reading and meter operations;
- Processing, load shaping and registration interaction;
- Settlement Period Unmetered Supplies service and distribution business interaction; and
- Registration, aggregation and volume allocation (to include Settlement timetable, Group Correction Factors, Distribution Use of System charging and other wider impacts).

July-November 2018: DWG work group progression and meetings on detailed requirements for TOM Services.

December 2018-January 2019: DWG revise detailed requirements based on DWG guidance on Ofgem policy decisions. Finalise work group reports.

January 2019: ELEXON to produce report collating detailed requirements for each Service set out in the TOM(s) as developed by DWG work groups.

4. Collation of detailed service requirements into revised TOM and transitional approach

Mid-January 2019: 12th DWG meeting: Review and agree collated Service requirements for TOMs. Subject to Ofgem Policy decisions, meeting to agree the final preferred TOM and initial discussion on transitional approach and consultation content and feed into the Ofgem Business Case process.

February 2019: ELEXON/DWG to develop further proposals on transitional approach (may use DWG Work Group).

March 2019: DWG agree transitional approach for consultation and consultation document on transitional approach.

April 2019: A four week consultation on transition. ELEXON will document Settlement impacts and support Ofgem on distributional impacts of proposals.

May 2019: ELEXON will summarise consultation responses for the DWG and draft final report for Stage 2.

May 2019: 13th DWG meeting: DWG agree Settlement model, service requirements, transitional approach and draft final report for DWG stage 2.

May/June 2019 ELEXON will finalise the report for Stage 2.

June 2019: 14th DWG meeting: Meeting to agree final report for Stage 2.

End of June 2019: Final report provided to Ofgem.

All stages above the work will be subject to any changes coming from Ofgem.

IMPLEMENTATION PLANNING

Ofgem's decision on if, when, and how to implement Market Wide HHS (subject to an impact assessment, as part of the business case) should be taken by the second half of 2019. If a decision to implement Market Wide HHS is made, planning will need to start and any BSC changes or other Modifications will need to be raised as appropriate.

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It is assumed that following Ofgem decision in the second half of 2019:

- Spring 2020: work with Ofgem to develop Code Modifications; and
- Winter 2020: Ofgem decision and start implementation.

REPORTING REQUIREMENTS

High level reporting requirements are as follows:

- Post DWG meeting headline reports will be published within 5 working days of each meeting;
- Internal reporting will be required on a monthly basis to the Executive Sponsor detailing the progress of the DWG in developing the TOMs. Ad hoc updates will be required to the BSC Panel and ELEXON Board; and
- The Ofgem led DAB and TOM Board will also require progress updates from the DWG such that it can manage interaction with the other Ofgem work streams.

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HIGH LEVEL LIST OF DELIVERABLES

No.	Deliverable	Description	Date
1.	Skeleton TOMs	Final Report to Ofgem on the findings of Work Stage 1.	April 2018
2.	Detailed Timetable: Stage 2	Gantt chart giving the detailed timetable defining DWG meetings, milestones and activities.	April 2018
3.	RAID Log: Stage 2	Document with Risks, Assumptions, Issues and Dependencies (RAID) log which will be kept updated throughout the timetable.	April 2018
4.	Consultation on Skeleton TOMs	Industry Consultation Document detailing the proposed TOMs.	May 2018
5.	Impact Assessments for BSC systems	Internal IA document on proposed changes required to support viable TOMs.	November 2018
6.	Report on Service Requirements	A report detailing the lower level requirements for the Service to be provided in the TOM	November 2018
7.	Report of DWG TOM preferences	A report setting out the DWG preferred TOM (and alternative) and transitional options.	January 2019
8.	Consultation on Transitional Approach	Industry Consultation Document on options for transitioning to new arrangements.	January/February 2019
9.	Final report for Workgroup Stage 2	Final Report to Ofgem on the findings of Work Stage 2.	June 2019