

Design Advisory Board Meeting 7

From: Jasmine Killen

Date: 31/01/2019

Time: 10:00-15:00

Location: Ofgem, 10 South Colonnade, Canary Wharf

1. Welcome and Meeting Overview (Slides 1-8)

**Anna Stacey and
Jasmine Killen**

1.1. The Ofgem Chair, Anna Stacey (AS - Chair), opened the Design Advisory Board (DAB) meeting and set out the day's objectives:

- to update the DAB on the preferred TOM, settlement timetable, transition and TOM consultation questions
- to discuss consumer impacts and get the DABs input
- to present to the DAB on Block chain, and
- to update the DAB on export settlement and info on the SEG scheme.

1.2. Jasmine Killen (JK) went over the open actions from the last DAB. A member asked a further question on the work carried out on assessing the security implications of having a central settlement database holding disaggregated data. JK explained that security of the system is integral in the design and as a result Ofgem are working with the Ofgem Data Security team from an early stage to make sure security implications are being thought about. Ofgem and ELEXON will then work together to make sure the system is robust. A member highlighted a PIAG paper to the board '[Possible route to smart meter data for a public interest purpose](#)'.

1.3. AS provided a project update, discussing progress and project planning.

2. Preferred TOM, settlement timetable, transition approach and consultation questions (Slides 9-33)

Kevin Spencer

2.1. Kevin Spencer (KS) from ELEXON provided an update on the preferred TOM option as identified by the DWG and an update on design work to date. ELEXON delivered the final report on the preferred TOM option to Ofgem on 30th January 2019. The previous DWG on the 15th January went through the report and members provided comments. The report was then adjusted according to these comments. It was highlighted that one DWG member disagreed with the majority report, and felt that data aggregation should not take place in central settlement systems.

2.2. One member noted that the only major difference from the current arrangements to the new suggested design is that aggregation is provided by the BSC central settlement Service. However, all the other services are and can still be done by other parties – and other parties are also free to carry out aggregation, it is just that this would no longer be required for submission of settlement data to central systems. One member asked if there was a possibility that once the aggregation is completed by central settlement, whether

other parties would still want to carry out the value added services, and if not, would there be a backup for a party to take this up. Other members felt that this was unlikely and the logical view would be that there would be competition for these services. KS noted that the preferred TOM does not have any underlying architecture already created and therefore this can be built in a way in which it will deliver all facets.

- 2.3. KS outlined the definition for 'settlement purposes' and asked the board if they had any comments. One member asked if this would work for multiple suppliers per meter point. KS noted the TOM would facilitate this, but would need one supplier for import and one for export. Therefore, the team will need to keep in contact with the mod currently being requested for multiple suppliers through meter splitting (P379). Another member noted another mod that might also affect the SCR. This is MAPCP0297 'introduction for procedure of raising export MPANs'. These two mods should be monitored with the SCR in mind.
- 2.4. A discussion took place on how many switches could take place. Board members highlighted that there is a possibility that in the future a consumer might be able to change energy supplier frequently (even maybe for every half hour period) and therefore a question was raised about who would own/have responsibility for the meter? One member suggested a lot of issues could be solved if the meters were owned by the DNO's. AS stated we are being flexible to whatever might come out of the future retail market design work.
- 2.5. KS defined what meter data for non-settlement purposes consisted of; such as customer billing, energy management services, academic research and public interest initiatives. AS stated it is important that there is a level playing field on this data and no single party should be the gatekeeper.
- 2.6. KS updated the board on the work for reducing the settlement timetable. One member asked if reducing the SF run to five days would cause cash flow problems for suppliers, as they will be collecting money monthly (or quarterly), but will be charged at five days. KS explained that the invoice would be made on day five, but the payment is due on the 29th day – as per current settlement arrangements. Another member noted this may not be as large an issue as it would be a natural thing to cover by insurance. AS stated this consideration will form part of the TOM consultation and also the impact assessment, and we will use these responses from this to consider if this is an appropriate timescale for settlement.
- 2.7. KS went through the timing for the disputes run and the disputes materiality threshold, which he noted was one of the most contentious issues in the DWG. The DWG subgroup recommended 12 months, but there is nervousness that this is too short. However, based on the steer from the DAB and Ofgem this seems to be the middle ground. ELEXON have written to, and presented at the PAB and also discussed this with the PAF team. This will also be an important part of the consultation, and AS noted that if the DAB think the push for a shorter timetable has been too much and is not appropriate then this should be made known.
- 2.8. KS talked through the high-level transition principles that are included in the preferred TOM report. Over the coming few months the DWG will work on transition and to begin with this means creating common terminology for what is meant by transition, implementation and migration. KS went through the transition principles on slide 23. There was a discussion on transition principle 6, with some members believing the

wording should be changed, to make it clear that what is meant is that users cannot go back to the old settlement model once they have moved over to the new model. **ACTION 1:** ELEXON to make the wording clear on the transition principles.

- 2.9. KS talked through the potential TOM consultation questions and got the opinions from the board on whether these questions would get the most from the consultation. ELEXON are holding a stakeholder workshop on the 6th February and another DWG on the 13th February with an aim to publish the consultation on the 15th February.

3. Consumer Impacts (Slides 32-34)

Abid Sheikh

- 3.1. Abid Sheikh (ASh), Alasdair MacMillan (AM) and Amy Freund (AF), joined the meeting. ASh updated the board on the consumer impacts work and the upcoming call for evidence, which was written in conjunction with the networks access and charging team.
- 3.2. The board discussed the four themes which were being explored in the call for evidence and noted the questions set out were good. However, it was acknowledged that they may be hard to answer.
- 3.3. One board member noted that cost reflection is the right direction to go in, but that more work is needed on the distributional impacts. The member cited a paper by Maxine Frerk, on residual charges, and what that will mean for different groups of customers. ([Understanding the impacts of Ofgem's Targeted Charging Review for Domestic Customers](#)).
- 3.4. ASh noted that through the call for evidence we are hoping to understand more about what consumers actually think and about what products might be available for people to use. This is a starting point for more work we may need to undertake.
- 3.5. One member asked why the scenarios were not based on the Ofgem archetypes. AM noted that the scenarios were similar to the Ofgem archetypes but will review the scenarios with the archetypes in mind to ensure there is consistency between them.
- 3.6. ASh thanked the board for their input, explaining that we will take account of the discussions and use them to help shape the scenarios further and to input into the workshop being held in February.

4. Presentation on Block chain technology and innovation link presentation (Slides 35-36)

Daniel Kirk

- 4.1. Daniel Kirk (DK) entered the meeting and gave an introduction to Block Chain technology. Block chain is unique in that it is decentralised and removes the need for trust between parties. It creates a 'distributed ledger', where there are thousands of ledgers and if one is updated it updates them all.
- 4.2. Block chain also allows for 'smart contracts', which means that rules can be put in place to allow something to be exchanged at a precise moment.
- 4.3. One board member asked how you set up a distributed ledger. DK noted that there are different examples, but a software developer would set it up. Some have open rules where the community of software developers would make changes and vote on the changes to be made, whereas there are examples where private software providers run the system and people need permission to be on the system.

4.4. One board member asked why block chain is useful. DK replied that it is useful where you do not trust a central party. Block chain has been useful in stimulating conversation, but it is not a solution to everything.

5. Update on Export Settlement (Slides 37-44)

Josep Garcia-Sole

- 5.1. Josep Garcia-Sole (JGS) joined the meeting and gave an update on export settlement and the responses that we received in the Outline Business Case.
- 5.2. Following the update one board member asked how much of an issue spill actually is, and whether it is worth resolving for the current 1TW – as going forward there will be no additional spill added to the system.
- 5.3. Another board member stated that if it is possible to resolve, then why wouldn't you. It would give more visibility to the DNO and it could encourage flexible use (eg. battery use). There was a discussion over the actual benefits of sorting this, in relation to the amount it affects and the effort it could take to rectify. AS noted that the costs and benefits will be looked at further in the impact assessment
- 5.4. The general steer from the DAB was if it was possible to include the current export in settlement then it should be.

6. Smart Export Guarantee (Slides 45- 50)

John Christopher

- 6.1. John Christopher (JC) presented on the Smart Export Guarantee (SEG), the Government's proposals for a mandatory, supplier-led route to market for small-scale renewable generation following closure of the FIT scheme on the 31st March 2019. The proposals are currently subject to consultation.¹
- 6.2. One board member asked about storage and whether this would be supported. JC noted that storage is supported but only when used in conjunction with a renewable generation technology. Another member asked why the SEG was obligated only for large suppliers, denoted by customer numbers, rather than consumption levels. JC replied that this is because this threshold is used elsewhere, including in FITs. However, he encouraged the board to submit responses in relation to these types of questions.

7. Next DABs (Slides 51-52)

Jasmine Killen

- 7.1. Ofgem and ELEXON will send round some suggested dates for the DABs in the future. Likely to be mid-April, End of May/June and mid-August.

DAB Actions

1. ELEXON to make the wording clear on the transition principles.

¹ <https://www.gov.uk/government/consultations/the-future-for-small-scale-low-carbon-generation>

Attendees

Abid Sheikh (Ofgem)
Alasdair MacMillan (Ofgem)
Amy Freund (Ofgem)
Anna Stacey (Ofgem)
Chris Allanson (Northern Power Grid)
Colin Griffiths (Citizens Advice)
Daniel Kirk (Ofgem)
David Crossman (Cornwall Energy)
Graham Oakes (Graham Oakes Ltd)
Jasmine Killen (Ofgem)
John Christopher (BEIS)
Josep Garcia-Sole (Ofgem)
Judith Ward (Sustainability First)
Kevin Spencer (ELEXON)
Mitch Donnelly (British Gas)
Sabiha Padhani (Ofgem)