



By Email Only

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Supplier agent functions – proposed approach

Dear Anna,

We provide comment on the Ofgem Supplier agent functions – proposed approach paper below.

We are supportive of the proposed approach to not centralise existing HH (Half-Hourly) metering agents, however Ofgem should consider undertaking more extensive analysis on the scale of economic benefits in centralising a smart data collection/aggregation agent role, we do not believe the potential cost savings have been fully explored at this point.

In regards to potentially removing the data aggregation function and submitting non-aggregated data into central settlements systems; The costs, risks and benefits must be well understood and weighted against each other before a decision is made. Of particular importance will be understanding the volume of HH data actually available to the industry given the Ofgem preference for consumers to 'opt-out' of providing HH data for settlements.

Consideration also must be given to traditionally metered existing HH customers and whether this segment of the market with a small number of sites but significant energy volume should retain a data aggregation function to support settlement performance and customer expectations.

We expand on these points below within appendix 1, if you require any clarification on any of the points we have made please do not hesitate to contact me. This response is not confidential.

Yours sincerely,

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Appendix 1 - Responses to Ofgem Questions

Question 1: *Do you have any comments on our updated analysis and thinking?*

We agree with the Ofgem analysis that a central agent is not required to improve data quality, reduce issues when data is transferred between parties (hand-offs), provide third parties with access to data for value-added services, or improve the implementation of industry changes. Ofgem should consider undertaking more extensive analysis on the scale of economic benefits in centralising a smart data collection/aggregation agent role, we do not believe the potential costs and benefits have been fully explored at this point. Once the final Target Operating Model (TOM) has been confirmed, a more informed understanding of the potential economies of scale benefit will be possible.

Question 2: *Do you agree with our proposed position? If not, please explain why.*

We are supportive of the Ofgem proposal to not centralise meter operation and data collection agent functions for AMR and Traditional HH metered sites, however as covered in our response to question 3, we feel there are a number of points that Ofgem must consider before changing the aggregation role.

We are also supportive of the Ofgem proposal to not centralise meter operation for smart metered sites, however it would be helpful to better understand assumptions that Ofgem have made in regard to economic benefits of a centralised data collection function. There may be more benefit to smart metered customers compared to AMR/ traditional HH customers, in submitting non aggregated data to central settlement systems. Many of the points that we raise in response to question 3 will still need consideration for smart metered customers.

Question 3: *Do you consider that settlement data will still need to be aggregated for submission into central settlement systems in future? In light of this, do you consider that a data aggregation role is required?*

Ofgem suggest that '*there may well be a case for future models where data is not aggregated for submission into central settlement systems*'. Presently there is not enough information on the benefits of non-aggregation to have a definitive view on whether submitting non aggregated data to central settlement systems is a positive step or not. There are certainly a number of points that Ofgem must consider before making a decision on aggregation, which we note below.

Access to HH Data The Ofgem decision on access to HH data for suppliers and any related enhanced privacy measures must be confirmed before we can consider how this data is submitted into central systems. For example, if Ofgem were to decide to allow customer to opt out of data sharing for settlement purposes there would be questionable benefit in submitting large volumes of non-HH derived data in anything but an aggregated form.

Cost/Benefit Related to the above, we would expect Ofgem to make an assumption, as the business case for HHS evolves, relating to the volume of HH data the industry will have access to. Clearly there are a number of factors to this, including smart meter technical constraints and customer installation consent, which should all be taken into account when weighing up the costs and benefit of submitting large volumes of non-aggregated data into central systems.

Customer Protection Ofgem state '*we do not think that roles should be kept simply because they already exist*', however it must be recognised that aggregating customer data does provide protection, given that data will usually not relate to an individual if aggregated alongside the data of others. This may not be the case where a very small number of customers data is being aggregated.

Security If the majority of UK customer data is settled in a HH capacity, this is a significant volume of data to transfer between data collection and central systems. Security of this data and related cost are key considerations that must be factored into the overall cost/benefit case.

Existing HH Traditionally metered HH and AMR customers can operate in a HH capacity today and additional change to aggregation arrangements will need to be analysed against potential benefits more stringently, particularly as this type of customer is likely to have their own energy management arrangements. The cost/benefit will be different when compared to sites that currently settle in a non-HH capacity, where additional costs are expected as part of the transition to HH.

Settlement Performance Suppliers with traditionally metered HH sites (Measurement class C) will need to manage this portfolio to submit accurate data to stringent BSC requirements. This BSC 'SF performance' requirement covers a significant energy volume and is time sensitive. A supplier may choose to manage this requirement through a single or multiple aggregators, if the DA role no longer exists, suppliers could find managing SF performance considerably more difficult. A consequence of this could be that industry performance is reduced, increasing customer costs or customer choice of data collector is limited to agents that a supplier best works with to achieve the 99% SF target.

In summary we would firstly suggest that the costs, risks and benefits are fully understood before a decision is made on data aggregation and what role carries this function out. Secondly, that particular consideration is given to traditionally metered existing HH customers and whether this segment of the market with a small number of MPANs but significant energy volume should retain a data aggregation function.

Question 4: *Do you agree with our consideration of our proposed position against our assessment principles?*

We broadly agree with Ofgem's consideration of its proposed position against the assessment principles, we have commented on some specific points below.

Delivering settlement functions efficiently *'there may be some economies of scale available from the appointment of a central agent but these are likely to be small.'* It would be helpful to better understand the Ofgem calculations behind this assumption and whether approval of the final TOM warrants a reassessment.

Flexibility in adapting to an uncertain future Ofgem must consider the risks and cost of providing non-aggregated data to central settlement systems and weigh these against the benefits to potential future change.