

Anna Stacey
Head of Settlement Reform
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

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Dear Anna,

Supplier Agent Functions – Proposed Approach

Thank you for the opportunity to comment on your proposed approach to supplier agent functions under market wide half- hourly settlement (HHS).

Our answers to the consultation questions are in Annex 1 attached. This response is not confidential and we are happy for you to publish it on your website.

We support the response submitted by Energy UK.

We broadly agree with Ofgem's analysis and proposal not to centralise supplier agents as part of reforms to implement HHS. However we would note that the assessment underlying Ofgem's proposal is sensitive to assumptions about the prominence (or otherwise) of supplier agents under market wide HHS, and the size of the market they will continue to support - notably remaining traditional meters and smart meters not enrolled with the DCC.

Specifically, we believe Ofgem's case for not centralising agents is reliant on two key assumptions:

- that HH (smart) domestic and microbusiness customers are unlikely to appoint their own agent and therefore the number of agents is likely to be small in the domestic HH market;
- that the rollout of smart meters enrolled with central data retrieval in the form of DCC will reduce the impact of supplier agents in general, in combination with HHS.

While we agree with the above two points, we would note that if there remains a sizeable population of traditional or non-DCC enrolled smart meters, this is likely to require supplier agents associated with those meters to continue to play a material part in the settlement process, with consequent risks to process efficiency and integrity if the agents are not centralised.

In view of the above, we would encourage Ofgem to ask the Design Working Group (DWG) and Design Advisory Board (DAB) to advise Ofgem if, in the course of designing and developing the HHS target operating models (TOMs), it becomes evident that the

ScottishPower Corporate Office 1 Atlantic Quay, Glasgow G2 8SP

Telephone +44 (0)141 248 8200, Fax +44 (0)141 636 4580

www.scottishpower.com

decision not to centralise supplier agent functions is leading to higher costs or complexity than Ofgem had assumed in making this policy decision.

One area where the involvement of supplier agents could continue to be important for settlement is the transfer of meter technical details (MTDs). We are fairly certain MTDs have not been considered within Ofgem's analysis as they are primarily a matter for remaining traditional meters (though they could affect smart meters too). Satisfactory transfer of MTDs does not necessarily require the centralisation of agent functions but could be achieved by having a central registry of all MTDs as part of (or aligned with) the central switching service (CSS). We discuss this further in Annex 1.

Following the finalisation of the HHS TOM, we would like to see Ofgem's assumptions in the current assessment - as far as they relate to the case for not centralising supplier agents - re-assessed and validated in the light of the final design. This would mitigate the risk that the final solution design is less effective and efficient than expected.

For the avoidance of doubt, our comments and observations in this response relate to the present microbusiness and domestic market. We consider arrangements in the HH metered industrial and commercial (I&C) market (measurement classes C, E and F) work well and are capable of being incorporated into the overall HHS TOM design without the need to centralise the associated agents.

Please do not hesitate to contact me if you have any questions on this response.

Yours sincerely,



Richard Sweet
Head of Regulatory Policy

**SUPPLIER AGENT FUNCTIONS: PROPOSED APPROACH
- SCOTTISHPOWER RESPONSE**

Question 1: Do you have any comments on Ofgem's updated analysis and thinking?

We broadly agree with the scope and conclusions of Ofgem's analysis but we would note that a key underlying assumption is that the vast majority of customers by the time of HHS implementation will have smart meters enrolled with DCC. Paragraph 2.30 suggests that supplier agents will be "serving at least a couple of million meters". We interpret this as suggesting Ofgem assumes that at HHS implementation over 90% of customers will have smart meters enrolled with the DCC. Should this assumption prove to be correct, we would agree with Ofgem's assessment that supplier agents will have a minimal involvement in the settlement process, diminishing the case for centralisation. If, however, the number of traditional and non-DCC enrolled smart meters (SMETS1) is greater than assumed, the prevalence and impact of associated supplier agents in the settlement process will be correspondingly greater.

Meter technical details (MTDs) are important for validating meter reads and for assigning the correct meter configuration and settlement profile - in particular for non-standard single- and two-rate traditional (non-smart) meters. Incorrect MTDs passed between supplier agents can account for a significant proportion of settlement exceptions, reducing NHH settlement performance. As MTDs primarily impact traditional meters, and noting Ofgem's assumption that around 1-2 million traditional meters will be in operation when HHS is implemented, we suspect they have not been factored into Ofgem's analysis. Even where smart meters are installed, it may be important to have access to historical MTDs associated with the meter points - especially for those which have previously been non-standard or complex meter configurations. As we set out in response to Question 2, we believe MTD issues could be resolved by a central registry of MTDs without the need to centralise agents.

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

We agree, based on Ofgem's analysis, that the case for centralising supplier agents is not strong. That said, as noted in our response to Question 1, Ofgem's analysis is sensitive to the proportion of smart meters assumed to be enrolled with the DCC and size of the residual cohort of traditional meters and non-DCC enrolled smart meters. In this context, we recommend that, as a safeguard, Ofgem provides guidance to ensure the HHS target operating model (TOM) is designed in a way that mitigates the potential impact of non-centralisation of supplier agents. Once the finalised TOM is available, Ofgem should re-run its analysis to validate the proposal not to centralise supplier agents.

In the example of MTDs discussed in response to Question 1, we believe the issues could be addressed by establishing a central registry of MTDs accessible by all agents and suppliers. This registry could be included as part of the central Switching Service (CSS) being developed as part of the Faster Switching significant code review and enable a set of MTDs to be held centrally and accessed for each registered meter point. This central registry would avoid data exceptions arising from MTDs being incorrectly passed between supplier agents, and thereby reduce the level of exceptions. We would envisage the set of MTDs could comprise meter type, serial number and meter registers.

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?

We agree the Design working group (DWG) should consider the various options for data aggregation in more detail, considering the pros and cons of each, including impacts on future markets and innovation.

Question 4: Do you agree with Ofgem's consideration of our proposed position against its assessment principles?

We agree with Ofgem's proposed position not to centralise supplier agent functions, against its assessment principles outlined in the consultation document. Notwithstanding this, we would encourage Ofgem to ask the Design Working Group (DWG) and Design Advisory Board (DAB) to advise Ofgem if, in the course of designing and developing the HHS target operating models (TOMs), it becomes evident that the decision not to centralise supplier agent functions is leading to higher costs or complexity than Ofgem had assumed in making this policy decision.

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