



TMA Response to Ofgem's consultation on Supplier Agents Functions under market-wide settlement reform

Ofgem Supplier Agent Functions consultation response	
TMA Data Management Ltd	Date: 10/10/2018

1. Introduction

TMA started as a Consultancy and Boutique developer in 1987. Following the Electricity competitive Market opening in 1998 we provided IS and IT solutions for larger Suppliers. We qualified as a Party Agent in 2005. We now provide Half Hourly and Non Half Hourly Data Collection, Data Aggregation, AMR, Data Retrieval and Internet services to over 20 Suppliers and other market participants. We are also in the process of providing DCC Services for Smart in order to ensure that the DCC services are accessible to all Suppliers and other interested parties through Shared Services.

TMA supports the proposed approach of not centralising the DC and MOP functions.

As we have previously responded in consultations, TMA does not agree with centralisation in any form as it does not serve the interest of the consumers. Competition ensures that the metering market keeps innovating and cutting costs. It is why TMA would like to see the Supplier Agent functions remain fully competitive.

We welcome the opportunity to respond to Ofgem's Consultation.

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Ofgem's Supplier Agent Functions Proposed Approach Consultation

Question 1: Do you have any comments on our updated analysis and thinking? We support the updated thinking that Data Quality should improve with Smart Metering but that a central agent would not provide further improvements.

We also support the updated thinking that the importance of hand-offs will fall and that a central agent does not impact on the number of hand-offs or any consequent exceptions.

We do not agree that settlement performance is not a source of differentiation. Low performing Agents are at serious risk of losing Suppliers to their competitors should they fall short of performance standards.

We support the statement that economies of scale for a central agent would not be significant. P272 has shown that economies of scale exist in a competitive market as the cost of Half Hourly settlement significantly reduced following the considerable increase in volume.

We support a different view on value added services, they do depend on carrying out data collection and data aggregation due to the cost synergy and allow the Agents to offer made to measure services to Suppliers. We would like to see Value Added Services recognised as supportive of innovation and new market entrants. In order to offer Value Added Services, we must be able to collect metering data to be confident in the quality of the data used. It also ensures that it is the same data used in Settlement. From experience having the same DC and DA agent allows for faster exception correction.

We have previously demonstrated in our response to Ofgem's RFI on the potential centralisation of Supplier Agents Functions that Supplier Agents are instrumental in delivering industry changes such as P272. We of course support the statement that Supplier Agents are not a source of delay to Industry Changes but would like the role played by Supplier Agent in the delivery of changes, even if the benefits are not experienced by them or even their Suppliers but by the whole Industry.

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

We are encouraged that Ofgem's proposed position is to exclude centralisation of agent function in their market wide settlement reform. We are nevertheless disappointed and are against the proposed position on Data Aggregation. We will develop that more in our response to question 3.

Question 3: Do you consider that settlement data will still need to be aggregated for

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submission into central settlement systems in future? In light of this, do you consider that a data aggregation role is required?

We do consider that aggregated data is required for submission into the central settlement systems and therefore that the data aggregation role is required.

DA functions, delivered by independent and competitive agents, ensure that a critical service is available to Suppliers. It permits an additional validation check on settlement data and bills issued. It must remain independent from Central Systems. DCC is not allowed to be a central point of failure as the risk is too great, data passes through DCC but it not stored.

That unacceptable risk for DCC is also unacceptable for Central Systems. However, Central systems would have to hold data for Data Aggregation. Ofgem cannot justify exposing the market to such a risk.

The consultation makes an erroneous link between innovation and Central systems. Central systems have never been a source of innovation since deregulation began in 1998. Innovation is driven by competition and nurtured by appropriate governance.

It is paramount that Elexon uses the latest technology for the Central Systems upgrade in order to deliver a cost effective service and be responsive to an industry in mutation but it, in no way, should be used as an argument in favour of DA centralisation. Elexon's Foundation programme was not initiated with the centralisation of DA functions in mind but rather by the need to upgrade old and less than efficient systems.

We do not want to see Ofgem, add DA functions to the unrelated Central Systems upgrade without due process. It would be like the addition of Central Switching Service to the DCC Licence.

Should Ofgem decide to progress with a centralisation of DA functions, a full and open tender process would be required. Value for money is a central value to Ofgem but even considering centralising DA function goes against that value as several competitive companies already offer the service, it would cause job and revenue loss to Supplier Agents and add costs to the Market to develop those centralised functions. Supplier Agents would also have to incur significant DTN costs to send data consumption flows to a centralised system as most MPANs are appointed to the same DC and DA agent, which means that flows are passed internally.

All the reasons mentioned by Ofgem not to centralise DC and MOP functions are also present not to centralise DA functions.

We contest the argument that technology was not present 20 years ago to centralise DA functions. The Authority's motivation at the time was to remove centralisation and monopoly. That is why deregulation was undertaken to overcome the shortcomings of vertically integrated regional monopolies. They had no incentive to perform well or deliver good service to consumer and the Authority did not have the level of control required to make parties meet their obligations.

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We are dumbfounded that Ofgem, over the past few years, has pursued centralisation as a solution, whilst in the meantime promoting innovation and competition. Centralisation is contrary to the control the Authority would like to have on the Market.

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

Ofgem's assessment of its proposed positions against its assessment principles (carefully considering alignment with our regulatory stances, particularly on competition and innovation, delivering settlement functions efficiently, supporting the realisation of consumer benefits in a future market, limiting unintended consequences, flexibility in adapting to an uncertain future, and complying with legal requirements) is correct but not complete for this consultation.

The centralisation of DA in the Central Systems was not considered against Ofgem's assessment principles. It should therefore not be part of the consultation. The assessment of centralising DA would show that all the arguments for keeping MOP and DC functions as competitive agents apply to the DA functions as well.