

Feedback Form

Once completed, please send this form to
HalfHourlySettlement@ofgem.gov.uk by 17 October 2018.

Organisation: Opus Energy & Haven Power (Drax Group)

Contact: Matt Young - matt.young@drax.com

Is your feedback confidential? YES NO

Unless you mark your response confidential, we will publish it on our website, www.ofgem.gov.uk, and put it in our library. You can ask us to keep your response confidential, and we will respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.

If the information you give in your response contains personal data under General Data Protection Regulation (EU) 2016/679 and Data Protection Act 2018, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.

Q1.

What are your views on the potential costs and benefits of half-hourly settlement of export? What are the risks and opportunities?

1. Do you agree with the scope of the costs and benefits of half-hourly export settlement that we have outlined? Are there any costs or benefits that we might have overlooked?
2. What are the impacts for your organisation of implementing market-wide half-hourly export settlement?
3. What are the impacts for consumers of implementing market-wide half-hourly export settlement?

4. What are the impacts for small scale generators of implementing market-wide half-hourly export settlement?

Views on the potential costs and benefits of half-hourly settlement of export:

1. *Do you agree with the scope of the costs and benefits of half-hourly export settlement that we have outlined? Are there any costs or benefits that we might have overlooked?*

Whilst a brief summary of the associated costs has been provided, we feel these should be explored in more detail. For example, the specific costs to suppliers of upgrading systems in relation to export settlement will need to be considered, especially for those suppliers who do not currently handle export sites.

Consideration should also be given to the costs associated with manual read requirements where sites suffer communication issues, e.g. in poor signal areas.

2. *What are the impacts for your organisation of implementing market-wide half-hourly export settlement?*

Both Opus Energy and Haven Power currently handle a small number of export sites and have systems capable of settling export on a half-hourly basis. However, we would expect suppliers who do not currently handle export sites to incur additional costs and require additional resources to implement market-wide Half-Hourly Settlement (HHS).

Market-wide HHS will require fundamental changes to IT systems and a transition period for moving customers to HHS. Market-wide HHS is one of a number of major industry changes being taken forward concurrently and resources are likely to be stretched well beyond 2020, which will result in an increased risk of timely delivery and incremental resourcing and implementation costs (compared to implementing HHS in isolation).

3. *What are the impacts for consumers of implementing market-wide half-hourly export settlement?*

For consumers, an increase in the accuracy of settling export should result in more efficient system operation and more cost-reflective charging, with the resulting savings ultimately being passed on to all consumers.

4. *What are the impacts for small scale generators of implementing market-wide half-hourly export settlement?*

It is not immediately obvious what benefits/disbenefits there will be to small scale generators from half-hourly settlement of export. Those customers whose export would be settled HH under these proposals, could see their revenues go up or down depending on whether the future distribution charging arrangements reflect the benefit/disbenefit the export provides to the system (e.g. management of the system at times of system stress or network constraint in a world with Distribution System Operators). In that case, intermittent versus despatchable small scale generators would likely experience different benefit/disbenefits.

Q2.

Have we identified the right commercial drivers in the commercial case? How can we look to either capitalise on the positive impacts of these drivers or mitigate any negative impacts?

Commercial Drivers:

1. *Have we identified the right commercial drivers?*

Yes, although we recognise the commercial drivers will vary across different market participants

2. *Are there others that we have not identified and should consider?*

None at this stage.

3. *How can we look to either capitalise on the positive impacts of these drivers or mitigate any negative impacts?*

We would particularly highlight that there are many interdependencies between market-wide settlement reform and the smart metering rollout, along with the potential benefits that can be realised by enabling innovation. However, these are all contingent upon consumer uptake which will in large part be influenced by consumers' trust in the sector and their awareness and appreciation of the benefits to them, e.g. lower whole system costs resulting in lower bills. It is important that Ofgem recognise this and does its part in promoting consumer buy-in and engagement.