

Design Advisory Board Meeting 8

From: Anna Stacey

Date: 04/06/2019

Time: 10:00-16:00

Location: Ofgem, 10 South Colonnade, Canary Wharf

1. Welcome and Meeting Overview (Slides 1 – 7) Killen

Anna Stacey & Jasmine

- 1.1. The Ofgem Chair, Anna Stacey (AS – Chair), opened the Design Advisory Board (DAB) meeting and set out the day's objectives:
 - to discuss the responses to the consumer impacts call for evidence
 - to discuss the responses to the preferred TOM consultation
 - to present the preferred TOM transition approach and get the DAB's input, and
 - to talk through the preferred TOM transition consultation.
- 1.2. Jasmine Killen (JK) went over the open actions from the last DAB. Action 3 is now complete, with the proposed new SF being at 5-7 working days, rather than 10 working days. A member noted that with customers having the option to opt-out of sharing their data that there was a risk that the population of customers feeding into the load shapes in the load shaping service would be too small to be accurate. The member asked if there would be an opportunity to feed into the design of the load shaping service. It was confirmed by AS that there would be.

Action 1: Ofgem to discuss statistical concerns with the member directly and bring to the next DAB meeting.

2. Project update (slides 8-9)

Anna Stacey

- 2.1. The Chair updated the DAB on the recent decision made by Ofgem on agent functions. This was that we have decided not to centralise agent functions, but we have said there may be a case for future models where data is not aggregated for submission into central settlement systems. The final decision on whether this should happen will need to take into account other factors including security and privacy considerations and our impact assessment. One of the members emphasised that the openness of the data is important.
- 2.2. A member asked how much modelling we did prior to making the decision not to centralise agent functions. The member commented that since most of the respondents to the consultation are incumbents they have a vested interest in the system not changing. AS explained that our research looked into the benefits of economies of scale, fewer hand offs and if the agents were acting as a barrier to innovation. We would only centralise agents if it was to the greater benefit of consumers, but we did not see evidence of this.
- 2.3. The Chair informed the DAB that access to data for settlement purposes will be on an opt-out basis, as stated in the January GEMA board minutes. The full consultation

response with all the decisions would be published shortly. Once published the next step is discussion with stakeholders.

- 2.4. A member questioned whether customers will have to opt out of giving their supplier access to their data for billing purposes. The Chair clarified that customer consent for billing purposes is outside the scope of the project and would remain opt-in. A member asked how long the permission to use the data will last. The Chair noted that further detailed work would be carried out on design issues.

3. Consumer Impacts Call for Evidence (slides 10-13)

Abid Sheikh

- 3.1. Abid Sheikh (ASh) presented the main themes from the responses to the Consumer Impacts Call for Evidence. In terms of Domestic themes, the main views from stakeholders were that;
- consumers want simple, clear and easy to understand messaging,
 - data sharing is necessary for engagement and consumers who 'opt-out' risk cutting themselves off from a wide range of tariffs,
 - it is thought that consumers who can see a real cost saving may be willing to make behavioural changes, but that consumers should be given space to try tariffs and services to make sure they fit their situation without having to sign up to something on a long contract,
 - in regards to vulnerable consumers, it is possible that they will be more at risk due to affordability and access to new technologies and so will likely need additional support and specific targeting.
- 3.2. ASh then spoke about the findings on small non-domestic consumers, which are broadly the same as domestic consumers. Some of the specific concerns respondents raised about small non-domestic consumers were whether third party intermediaries should be regulated and that they found saving energy more attractive compared to flexibility because they're generally just less flexible. A member said suppliers need data to tell customers that environmental savings exist and are real.
- 3.3. A member noted that access to data is key to suppliers engaging with customers because making the benefits tangible is difficult if you don't have the data to demonstrate the benefits. Another member agreed, saying it is more difficult to educate customers about settlement so that they can chose the tariff that is best for them, than it would be for suppliers to use the data to offer customers the right tariff for them. A member argued that if suppliers were like Google they would offer a service for free to the customers in order to obtain their data.
- 3.4. A member pointed out that some vulnerable customers will pay less under MHHS and gave the example of the water sector when metered billing was introduced. The water companies identified the types of customers who would pay more and put protections in place, such as social tariffs. A member asked what the future world would look like and suggested that Ofgem should understand the direction the market is going and be aware that using current evidence to inform decisions about the future could stifle innovation that has not been thought of yet. For example, the biggest energy cost for lots of businesses is the petrol for cars and vans, so if they electrify their fleets, old data will not be reflective. The member noted that principles

based regulation is the right approach going forward, but that we need to ensure there aren't gaps that leave customers vulnerable.

- 3.5. The board discussed previous trials and current research on activities that drive peak demand and users' willingness to change their energy consumption patterns. ASH noted that some respondents identified research they are doing and we planned on exploring this more with the individual respondents. One member suggested that we focus on the Electric Vehicle uptake and the implications for consumers, as this would provide helpful insight into a changing market.
- 3.6. ASH wrapped up the discussion explaining that our next step was to build the evidence base through further discussions with the respondents and that we are working with other teams in both Ofgem and BEIS on a range of these issues.

4. Preferred TOM Consultation Responses (slides 16-20)

Kevin Spencer

- 4.1. Kevin Spencer (KS), from ELEXON, ran through the preferred TOM consultation responses. In summary, the DWG agreed the responses positively affirmed the preferred TOM design. A member commented on Siemens' response, which set out a TOM that included a sub-metering proposal. KS confirmed that the concept of sub-metering would work under the current preferred TOM, and that the DWG were waiting for P375 to conclude before detailing it further.
- 4.2. One member questioned why the DWG felt there didn't need to be material changes to the TOM design despite the number of respondents who seemed to disagree with a number of the consultation questions (see slides 51-65). KS explained that many of these responses were from supplier agents, who mirrored the minority view which is already set out in the DWG report, and were against aggregation being carried out in central settlement systems.¹

5. Preferred TOM Transition Approach (slides 21 – 41)

Kevin Spencer

- 5.1. KS went through the transition approach to the preferred TOM. This included an explanation of the agreed terminology, the 'quick wins' and the approaches for the different market segments.
- 5.2. For the smart and non-smart segment KS described how the load shape categories would be created with each Grid Supply Point group being broken down into domestic and non-domestic, and import and export shapes. It is thought that through transition those consumers currently on Elective (and so already being settled half-hourly) would be used to build the early load shapes as they could be migrated to the TOM earlier. Members discussed that customers with an EV would have significantly different load profiles than those without. KS explained that generally these customers would be HH settled and not need load shaping, but that more specific load shapes could be created in future.
- 5.3. Members discussed the disputes window, which the DWG recommended to be 20 months after the settlement date, and would include a ratcheted materiality. KS went through the reasons why 20 months was chosen by the DWG. It was also

¹ Ofgem will make the final decision on the TOM for MHHS as part of the Full Business Case.

noted the responses to the preferred TOM consultation were strongly against the suggested 12 months. KS outlined the different types of common disputes and some of the reasons they can take a long time to identify and rectify. The Chair asked for views from the DAB, and iterated that Ofgem does not want to push an unmanageable timescale but also does not want to miss an opportunity to make a real step change. It was noted that the DAB had originally suggested 12 months for the DF run, as this aligned with the rules on supplier back billing.

- 5.4. One member pointed out that it is difficult for suppliers to exit the market because of the length of the settlement timetable. This is because companies are reluctant to purchase a supply business where there is uncertainty if there will be further invoices for historical dates. The member said that if the supplier has certainty at the RF run, which the DWG proposes to be 4 months after the settlement date, then that would be a big improvement.
- 5.5. Another member noted that the DF run can create uncertainty for small suppliers, because they have continuing uncertainty about their liability long after the settlement date. The possibility of settlement parties being able to opt out of being included in any disputes runs, to provide them certainty, was discussed to mitigate this, however there was consensus from the board that it would not be possible to only run the settlement recalculation on some parties. The possibility of separating the CVA market from the SVA market in terms of disputes so that the SVA market could have certainty was also discussed. This was considered to be impractical because CVA and SVA calculations feed each other.
- 5.6. One member suggested that there could be a different type of incentive to encourage parties to identify issues sooner, such as making the party raising the dispute pay a portion of it or that the party who caused the dispute could bear the whole cost, rather than smearing the change across everyone. However some board members noted that this could create issues between suppliers and supplier agents and although would reduce some risks to investors looking to buy a supply business, any potential issues with supplier agents would continue to cause uncertainty.
- 5.7. The board went onto discuss the performance serials during the transition period. The Chair questioned if maintaining performance serials would disincentivise suppliers from moving customers to the TOM services. Members generally agreed this would be the case. It was noted that suppliers would be most likely to move their least peaky customers first, as this would have the most benefit to them in settlement.
- 5.8. In order to incentive the move to the new TOM, one member thought that if the cost of running the old systems was shared only among those parties using them, then the cost would increase, and so would incentivise parties to settle MPANs under the new arrangements. KS went through the performance serials assumptions and principles. It was suggested by the board that the first principle *'Serials will be set so as not to dis-incentivise movement to the TOM'* should be amended to actively incentivise the settling of MPANs, rather than not disincentivising. ELEXON agreed to change this.
- 5.9. AS asked if there should be a question about how the performance serials could be open to gaming during the transition. One member said that suppliers encouraging customers to opt out for the supplier's financial benefit was the biggest opportunity

for gaming. KS mentioned that a consultation respondent believed that a supply license condition was the best way to prevent this type of gaming.

- 5.10. KS outlined the proposal that the move to the new settlement timetable would be back ended and only once certain trigger points had been met.

6. Transition Consultation Questions (slides 42 – 47)

Kevin Spencer

- 6.1. KS took the board through the consultation questions for the DWG transition approach. The board agreed that the question about the principles and assumptions of the PAF should be tweaked in light of the discussion in 5.7 and 5.8.
- 6.2. KS asked for comments from the DAB on the draft consultation and noted ELEXON would be holding a stakeholder engagement event on the transition approach consultation on the 12th of June.

7. Energy Data Taskforce (slide 48)

Steven Steer

- 7.1. Steven Steer (SS) went through the scope of the Energy Data Taskforce² (EDTF) work, which is a joint venture between Ofgem, BEIS and innovate UK. The work of the Taskforce is concerned with energy system data, not consumer (personal) data which itself is subject to GDPR. The general principles were that energy system data should be presumed open unless it can be evidenced why it should not be shared. These reasons include GDPR, security and competition.
- 7.2. SS talked through the steps of implementing the EDTF recommendations, starting with the metadata. By understanding what metadata is available and who holds it, this will allow innovators and new business models to identify which types of data catalogues they would find useful.
- 7.3. Each data holder is to be in charge of their own triage process, but this could bring about the problem of bi-aggregation, where there are datasets that might not be sensitive individually, but could be sensitive when combined. Therefore, there needs to be an overarching governance structure.
- 7.4. One member asked what the implications on MHHS of EDTF were. SS believes that the best practice developed for EDTF can be generalised and applied to different parts of the industry. AS noted that we are considering it in the context of having a centralised place for all half hourly data, because if we took the decision to have this, there would need to be a governance system. We would also need to employ the triage model.

8. Closing remarks (slide 49-50)

Anna Stacey

- 8.1. AS closed the DAB for the day by asking if there was any other business. One member stated that Ofgem should ensure that the findings from the consumer impacts call for evidence are used more widely than just in MHHS. AS confirmed we are sharing the results more widely, particularly with the access and forward looking charging team.

² <https://www.gov.uk/government/groups/energy-data-taskforce>

8.2. The Chair confirmed the next DAB would be in the autumn, following the submission of the DWG's final report on the preferred TOM and transition approach. It would also include a session on access to data and there will be further discussion on the architecture for the TOM.

Action 2: Access to data to be discussed at the next DAB

DAB Actions

Action 1: Ofgem to speak to the DAB member who raised concerns about the statistical methods used for load shapes bilaterally, and add this to the agenda for the next DAB

Action 2: Access to data to be discussed at the next DAB

Attendees:

Anna Stacey (Ofgem, Chair)
Andy McFaul (Ofgem)
Abid Sheikh (Ofgem, on the phone)
Chris King (Siemens)
Elizabeth Allkins (OVO)
Graham Oakes (Graham Oakes Ltd)
Jasmine Killen (Ofgem)
Jim Cardwell (Northern Power Grid – standing in for Chris Allanson)
John Christopher (BEIS)
Justin Andrews (ELEXON, on the phone)
Judith Ward (Sustainability First)
Kevin Spencer (ELEXON)
Rhys Kealley (Centrica – standing in for Mitch Donnelly)
Sara Bell (Tempus Energy)
Saskia Barker (Ofgem)
Victoria Pelka (Citizen's Advice – standing in for Stew Horne)