



Making a positive difference  
for energy consumers

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Dear Design Advisory Board members,

We hope you are all well under the current circumstances. Due to the current coronavirus national emergency and the subsequent reprioritisation of the Ofgem work plan we decided to postpone the DAB meeting that was scheduled for April 29<sup>th</sup>. Instead, please find below a written update on the work that has been underway in Settlement Reform since the DAB last met in November 2019, as well as some information on current plans going forward in light of the current coronavirus national emergency.

Ofgem is prioritising work in response to the coronavirus (COVID-19) crisis. We are focussed on ensuring that the energy industry can effectively respond to the coronavirus crisis, and our priority is to protect consumers, especially vulnerable people, and to maintain Britain's supply of electricity and gas. We will also deliver our statutory obligations and progress time-critical work, being mindful of stakeholder capacity to engage.

This means we are delaying or postponing stakeholder engagement on those activities that we consider less time-critical to short term consumer protection and security of supply. This is to enable stakeholders and Ofgem to prioritise the response to the crisis, and focus time and resource on supporting customers and the market during this difficult period. We recently published a [statement on our coronavirus response](#) which can be found on our website.

### **Draft Impact Assessment and consultation**

We have published our [draft impact assessment](#) which lays out the economic case for Settlement Reform, with the headline analysis showing that we expect MHHS to deliver £1.61bn to £4.56bn in net benefits to consumers by 2045. We have also published an associated consultation document. This consults on our proposed decisions of implementing

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MHHS using the Design Working Group (DWG) preferred TOM and settlement timetable recommendations, including both import and export settlement, setting out a proposed transition timetable of 4 years, and proposal to collect daily data of those consumers who have opted out of sharing their half-hourly data for settlement. It sets out our approach to implementation programme management, and asks for views. It also deals with the impact of COVID-19 on the project timetable: we think that it is likely to delay the start of implementation but that a 4 year implementation period is still realistic, and we ask for stakeholder views on this. Finally, it asks stakeholders for their views on the draft Impact Assessment, on consumer impacts, and for any additional evidence they may have relating to the assumptions we have made about load shifting.

We have made the decision to publish now for transparency purposes. However, we have not set a deadline for responses at this stage. When we do set a deadline, we will ensure this is set with at least 10 weeks notice.

Alongside these documents we have also published a paper setting out the consumer impacts of Settlement Reform, as well as [an open letter](#) intended to provide clarification on some data access issues.

## **Access to Data**

In addition to the open letter we have been working to investigate the extent to which consumers understand the concept of electricity settlement / forecasting and their associated data sharing choices for those purposes. We commissioned a research organisation to conduct a series of online focus groups. A total of six were carried out in London, Cardiff and Glasgow. We are now working through the findings from the groups. This will feed into discussions we are having with stakeholders around consumer messaging, to ensure consumers are able to make informed choices regarding data sharing for settlement and forecasting purposes.

## **Target Operating Model (TOM)**

The two new TOM work groups, the Code Change and Development Group (CCDG) and Architecture Working Group (AWG), began meeting in December 2019. The CCDG has been developing the outstanding detailed design areas for the TOM, such as registration, exception reporting, industry standing data and group correction.<sup>1</sup> They have also reviewed tabulations of the impacted sections of three of the impacted codes: DCUSA, MRA and BSC,

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<sup>1</sup> The CCDG is looking at the role registration systems (SMRS) play in the appointment of agents by suppliers under the TOM. Exception reporting is looking at circumstances under which ELEXON's central systems should alert a party to issues with the data they have submitted into settlement or the conditions under which that data would not be accepted by central settlement systems. Industry standing data refers to the set of data required to be held about a metering system for settlement, it identifies attributes like the market segment and whether the data is related to import or export. Group correction is the process by which the difference between the settlement volumes and the transmission data in an area are allocated to suppliers.

and are working to finalise the detailed design and agree the sections of the impacted codes prior to wider industry consultation.

The AWG has agreed a set of data architecture principles, solution architecture principles, and security guidelines that will be used to assess potential solutions. They have also started compiling the information needed to complete the requirements for the different interfaces in the TOM and the Solution Architecture Document.

A subset of members of the CCDG and AWG have been meeting as a joint subgroup. They are working to translate the DWG's TOM and CCDG design details into detailed business requirements that can be used by the AWG to develop the solution architecture.

Representatives from code bodies of the impacted codes (BSC, CUSC, DCUSA, MRA and SEC) have been meeting in a code and central bodies subgroup, which also includes a representative from the DCC. This group has been working to create tabulations of the provisions in the relevant code documents, which are affected by the TOM. The tables of changes to the DCUSA, MRA and BSC are currently being brought to the CCDG for them to review prior to wider consultation (however, see section below about the impact of COVID-19 on the timing for this).

We also published the first edition of [our MHHS newsletter](#), with which we aim to give stakeholders the opportunity to engage and provide feedback on the TOM design between formal consultations. It also contains more details about what the workgroups have been discussing.

### **Settlement Reform going forward**

In light of the coronavirus crisis and following Ofgem's recent reprioritisation exercise, we are conscious of the demands on industry. We have been discussing with ELEXON how we can adjust the work plans for the two ELEXON-chaired MHHS working groups, the Code Change and Development Group (CCDG) and Architecture Working Group (AWG). We note that working group members have also provided views on the feasibility of continuing their work at this time.

Following our discussions, the intention is to continue work with the CCDG and AWG at the current time, subject to review as circumstances change. Continuation of this work needs to take account of the impact of the current situation on participants and will only continue to be appropriate as long as:

- There remains a sufficient cross-section of representation among the working group members, who have sufficient resources to progress this work

- The details and timescales of any working group activities to be undertaken are regularly reviewed and agreed with the group members, to ensure that they remain achievable during the operational challenges caused by COVID-19
- The working groups don't undertake any formal consultations at this time, with the short-term effect of this being that the CCDG's planned June 2020 consultation will be postponed until a future date which is to be agreed with Ofgem
- The working groups don't progress any activities that could be seen to materially pre-judge the results of any CCDG/AWG consultations not yet undertaken.

We recognise that this is likely to impact the overall delivery timescales for the CCDG's and AWG's work, and that we will need to consider this further at such time as we agree that the CCDG's consultation can be formally issued.

We will continue to review these plans regularly as the situation develops.

We intend to hold the next DAB meeting once we have set a deadline for responses for the Draft Impact Assessment and Consultation. We expect this to also be around the time the CCDG goes out for consultation on the detailed design areas of the TOM and tabulations of the affected areas of the codes. We will be in touch once we have more of an idea when this will be, and whether we will hold this meeting remotely or in person.

Finally, we would like to welcome a new member to the DAB, Chris Welby of Bristol Energy. Chris was originally part of the Design Working Group (DWG). He brings a wealth of settlement experience with him, as well as a view from an independent supplier. We look forward to having Chris on the Board going forward.

We would be happy to discuss any of the above further or receive any intermediate feedback on what we have set out. So please get in touch if you have any questions or would like to discuss any of this with us.

Kind regards,

Anna Stacey

**Head of Electricity Settlement Reform**