



Making a positive difference
for energy consumers

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Date: 27 May 2020

Electricity Settlement Reform Newsletter:

May 2020 issue

Dear Colleague,

This is the second edition of our monthly newsletter, which provides a roundup of all that is happening within the Settlement Reform programme. This month we are focussing on the working groups' progress through March and April and subsequently how we are now working on the Target Operating Model (TOM) development in these unprecedented times. We also cover the publication of our draft impact assessment and an open letter clarifying issues on access to data for settlement purposes.

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.

At the same time we have also been discussing with ELEXON how we can adjust the work plans for the two ELEXON-chaired Market-wide Half Hourly Settlement (MHHS) working

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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, we support the intention 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 we will be considering this further as we review overall timescales for our project.

We continue to welcome any feedback on work being carried out, and also on any preferences you have for how we keep you updated on progress, especially during the current period when organisations' time is so limited.

An archive of previous editions of this newsletter can be found [on our website](#). The first edition, [March 2020](#), includes useful background information.

For any questions or feedback, please get in touch via the Half-Hourly Settlement team mailbox:

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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, which consults on our proposed decision of implementing 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. We ask stakeholders for their views on the impact of COVID-19 on the project timescales, and also ask questions on some data access issues, programme management for implementation, consumer impacts and the draft Impact Assessment. 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 done 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](#) providing clarification on some data access issues.

Target Operating Model Working Groups

Due to the coronavirus national emergency and the subsequent social distancing measures put in place by the Government, the CCDG and AWG meetings have moved to remote meetings over skype.

Code Change and Development Group (CCDG)

Due to the move to skype, both CCDG meetings 4 and 5 were split into two parts. That means CCDG04 and CCDG05 have a part A and part B. From CCDG06 the group will go back to meeting once a month, but for the time being will still meet by skype.

[CCDG04A](#) – **17th March 2020**: The group discussed possible approaches to the Settlement run-off arrangements. It also refined further its approach to exception reporting, as well as its approach to GSP Group Correction Factors/Scaling Weights/Consumption Component Classes (CCCs). You can find more detail in the [CCDG04A Headline Report](#).

[CCDG04B](#) – **3rd April 2020**: The group discussed a possible transitional approach to catering for switched load customers with traditional meters (for example those on Economy 7). It also refined further its approaches to industry standing data and registration (data items, appointments and confirmations). You can find more detail in the [CCDG04B Headline Report](#).

[CCDG05A](#) – **21st April 2020**: The group refined further its transitional approach to catering for switched load customers. It also reviewed the outputs of other actions relating to the

detailed TOM design, including exception reporting and GSP group correction scaling weights. You can find more detail in the [CCDG05A Headline Report](#).

[CCDG05B](#) – **1st May 2020**: The group was joined by representatives from the DCUSA and MRA Code Administrators to review the tabulations of the areas of the DCUSA, MRA and BSC that may need to be changed to implement the TOM. There was also an update on the progress of identifying the required CUSC and SEC changes. You can find more detail in the CCDG05B Headline Report, which will be published on the [ELEXON website](#) soon.

The main points of note from the above CCDG discussions are as follows:

- The group is considering different options for handling the Settlement run-off arrangements, including one that would set a cut-off beyond which no further amendments could be made to Non Half Hourly settlement data. It will discuss this further at CCDG06.
- The group is continuing to consider exception reporting. While this only includes exceptions reported from the Market-wide Data Service (MDS) to the smart, advanced and UMS data services when data is used for settlement, the requirements for validation upstream are also being considered.
- The group has agreed the new GSP group correction scaling weights that will apply to the new TOM Consumption Component Classes (CCCs) and is currently considering how to map the new scaling weights to the existing CCCs during transition. The group agreed that as all losses are estimated and therefore inaccurate, they should have scaling weights associated with them. The group has also agreed in principle that Actual/Estimated flags should be set on a settlement period level (as opposed to the current settlement day level) as this would mean scaling weights could be applied more accurately to estimated quantities. ELEXON is considering any issues associated with this approach.
- For industry standing data, the group still needs to agree which entity is responsible for mastering each new data item, and the relevant Industry Code governance and change process(es) that will apply to them. The group is currently completing the standing data tables relating to valid and default load shapes.
- The group is continuing to discuss how the registration service could be used as the 'single source of truth'/notifier of TOM service appointments and objections. It is still considering how the registration service could validate that a service is operating in the correct market segment for the meter. It will discuss this further at CCDG06.
- The group has agreed a transitional approach to adjusting load shapes for Profile Class 2 and 4 customers that have non-smart, register read meters with switched load (e.g. Economy 7). The group agreed that this should apply until these customers have had the opportunity to have a smart meter installed, and that the appropriate cut-off point should therefore be reviewed at the end of transition to the

TOM. The group discussed which profiling methods to use to apply the adjustment and agreed to use a combination of the current profiling methods based on the data available.

Next CCDG meeting: at CCDG06 on 19 May 2020 the group will continue to discuss the outstanding detailed design areas that require agreement, including settlement run-off arrangements and registration (data items, appointments and confirmations). ELEXON will also hold a question and answer session on the interactions between the CCDG's and AWG's work.

Architecture Working Group (AWG)

[AWG04](#): 24th March 2020: The group went through the Registration interfaces for the TOM. It was noted by group members that it was difficult to add detail to the interfaces without a list of scenarios in which they would be used. It became clear during the workgroup meeting that more information was needed from the CCDG in order to successfully complete the objectives of the AWG. It was agreed that a sub-group would be set up which would include members from both the AWG and the CCDG. You can find more detail in the [AWG04 headline report](#).

[AWG05](#): 28th April 2020: The group assessed the suitability of replicating the first AWG/CCDG sub-group (see below) for all other requirements for data exchange. The group agreed this was the correct approach and also began a discussion concerning the concepts of data exchange.

Next AWG meeting: at AWG06 on 26th May 2020 the group will review the outputs from the first CCDG/AWG subgroup which is due to complete in early May and translate these into the interface templates for the Registration to metering services. The group will determine if there are any information gaps and how to fill them. This will conclude the first in a sequence of repeatable activities to create interface specifications between all the applicable TOM services which are in scope.

Sub-group updates

Code change and central body sub-group: This sub-group is continuing to work on tabulating the changes required to affected Industry Codes, and presented these 'Code Change Matrices' to the CCDG at CCDG05 Part B. The code body representatives will incorporate the feedback they received from the CCDG and share any outstanding questions with the group. These matrices will ultimately feed into the CCDG consultation, along with the CCDG's work on the detailed TOM design areas.

AWG/CCDG subgroup update: As agreed in the AWG04, a sub-group made up of members of both the CCDG and the AWG has been formed in order to work through the

detailed business requirements and scope of the AWG's role in defining the Registration interfaces. This group has met three times and is first focussing on the interactions between meter operators and the registration system (SMRS); this includes identifying what information will need to be exchanged to enable the TOM, identifying the parties sending and receiving data, and estimating the expected frequency and size of the data exchanges. If this work is successful in helping the AWG progress with detailing the requirements, this method will be used to flesh out the detail of the other interface and data requirements for the TOM.