Feedback Form
Electricity retail market-wide half-hourly settlement: consultation

The deadline for responses is 14 September 2020. Please send this form to ***HalfHourlySettlement@ofgem.gov.uk*** *once completed.*

Organisation: BUUK Infrastructure Limited

Contact: Alex Travell

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Target Operating Model (TOM)

1. We propose to introduce MHHS on the basis of the Target Operating Model recommended by the Design Working Group last year. Do you agree? We welcome your views.

Yes, the proposed Target Operating Model (TOM) to support the move to market wide half-hourly settlement (MHHS) appears well considered and a viable solution.

We appreciate that Ofgem has recognised the issues for managing Unmetered Supplies that a transition to mandated HH settlement would bring. Amending the processes and frequency for the update of HH UMS inventories should alleviate the risk of unnecessary costs for us and for customers from a transition to HH settlement.

We look forward to seeing the solutions for smaller UMS customers that the Code Change Development Group have been tasked with developing.

2. Ofgem's preferred position is that HH electricity consumption data should be sent to central settlement systems in non-aggregated form. Do you agree? We welcome your views.

Yes, the logic for data to be extracted from meters once and reused by as many industry processes as possible must be efficient, free up space on the DCC WAN and ultimately provide lower costs and better services to consumers.

As a network provider an issue that will affect our business in the future will be the increased need for processing and managing considerably more data than at present.

Moving to use data at a much more granular level will require a step change to our processes and systems. These may be justifiable considering the additional value and benefits that an enhanced level of understanding of the network usage will bring.

The approach of developing a central 'data lake' of consumption data where it can be accessed in a secure way and manipulated and analysed centrally should bring many efficiencies. A single source of data will ensure greater accuracy and overall reduced administration costs from avoiding resolving queries.

This new service should be able to provide the information that we need in a more cost-effective form than us having to source and store all data ourselves.

With suitable safeguards in place a central service will also be well placed to address security and data privacy concerns.

Of specific interest to us would be access to consumption data from smart meters, aggregated and anonymised at LV substation feeder level. This information would be useful for network monitoring.

Some DNO already have access to this information but this has involved costly investment in DCC interface systems, service providers to anonymise the data and aggregate it at the required level. A central service to provide this service should be more efficient and help provide a positive business case to justify our investment in the access to this information.

Settlement timetable

3. We propose that the Initial Settlement (SF) Run should take place 5-7 working days after the settlement date. Do you agree? We welcome your views.

Yes, smart and advanced metering allow information to be available in a much timelier manner than compared to traditional meters.

Earlier recognition of a sites true consumption will allow for more accurate allocation of costs, be this for wholesale costs or for network charge calculation that rely upon the data from the settlement process.

Quicker allocation of costs will lead to more accurate allocation of costs to the right customers. This will ultimately be to the advantage of all parties in the industry.

As a network operator we do not see value or justification to amend the monthly billing cycle of suppliers for network use of system charges. Making the invoices more accurate is of value to both network operators and suppliers.

As we use settlement data to support the calculation of our network use of system invoices a move to reduce the timescales for these processes should be beneficial by helping us to create more accurate invoices.

4. We propose that the Final Reconciliation Run (RF) should take place 4 months after the settlement date. Do you agree? We welcome your views.

Yes, there will always be issues that need to be resolved, even in a world where nearly all meters are smart, and therefore building in time to resolve these is a sensible option.

Three months seems a reasonable time to resolve issues and therefore a 4 month final settlement run makes logical sense.

5. We propose that the post-final (DF) settlement run should take place 20 months after the settlement date, with the ratcheted materiality proposals described in chapter 4. Do you agree? We welcome your views on this proposal, and in particular about its potential impact on financial certainty for Balancing and Settlement Code parties.

Yes, maintaining a backstop for the resolution of errors is a proven requirement from the current settlement arrangements.

The nature and materiality of some issues provides the evidence that this should be allowed over a reasonable period of time.

It is good to recognise the implications that the rectification of errors that date back a long time can have on the redistribution of costs to parties. There is a trade-off to be recognised between ensuring customers receive accurate bills and the administrative and re-distributional costs that resolving historical errors.

Having a process that only allows the most significant errors to be adjusted over longer periods strikes the right balance between these competing positions and is therefore something that we support.

Export-related meter points

6. We propose to introduce MHHS for both import and export related MPANs. Do you agree? We welcome your views.

Yes, smart meters combine import and export recording capability within the same device and use the same standard and form of communication service.

There should be no physical reason therefore as to why data about import or export should not be equally available for use in the settlement process. Therefore, it is logical to propose that these reforms be implemented for both import and export.

This will be ever more important in the future as the energy transformation will see many more consumers opting to install on site generation and energy storage and will want to see export volumes accurately recognised in the industry settlement processes.

Our requirement for consumption data from the new central service applies just as much to export data as it does to consumption. Understanding network use will be helped if we understand the level of exported power onto the grid at different times of the day.

Network use charging calculations also depend on this data and will potentially grow in relevance in the future as the energy system transforms.

Creating additional MPAN for all customers with export capability will create an increase in administration and IT system costs for ourselves. We appreciate that the proposal is to allow 4 years for this transition to occur which will help to mitigate the impact.

A mechanism to perhaps reduce or mitigate the impacts of this activity should be looked at as part of the implementation project. At present the process to create a new MPAN includes a number of manual steps and to undertake these for all sites would involve considerable time and effort. However we assume that an automated solution could be developed to address this issue and reduce the overall implementation costs.

7. We propose that the transition period to the new settlement arrangements should be the same for import and export related MPANs. Do you agree? We welcome your views.

Yes, as explained in our answer to the previous question from a technology perspective there should be no difference in the availability of data for import or export from a smart meter. Therefore, it seems sensible from a project perspective to implement both at the same time. Extending the timescales for exported energy risks making the implementation less efficiently and more costly for industry parties.

Transition period

8. We propose a transition period of approximately 4 years, which at the time of analysis would have been up to the end of 2024. This would comprise an initial 3-year period to develop and test new systems and processes, and then 1 year to migrate meter points to the new arrangements. Do you agree? We welcome your views.

Yes, this will be a significant change to electricity market arrangements and will require changes to several of our core IT systems.

This will equally apply to many other industry parties, agents and service providers. Co-ordinating and delivering such an industry programme will be challenging but 4 years seems an achievable goal.

Additional clarity on the timescale should be provided once the detailed level assessment of the change is completed by the current SCR working groups. This will allow us to more clearly understand when we will be required to undertake IT system and processes changes and be able to provide a more definitive answer as to how great the impact to our business will be.

9. We have set out high-level timings for the main parties required to complete a successful 4-year transition to MHHS. Do you agree? We welcome your views, particularly if your organisation has been identified specifically within the timings.

Figures 2 and 3 within Section 6 of the consultation accurately reflected the key milestones for a number of industry projects and also those parties affected by the MHHS change proposals.

What was less clear from the diagrams was the associated impacts on the same industry systems from these different programmes. It was good to see this risk to the success of the MHHS SCR articulated but it was less clear whether there had been any in depth analysis of where the problems might be encountered and how these risks could be mitigated.

From our perspective our MPRS system and our DUoS billing system would seem to be the most affected by the MHHS SCR programme.

These are also already being affected by the Faster Switching SCR, TCR SCR reforms and potentially the Forward Looking and Access SCR project.

All three of these Ofgem programmes are already introducing significant change to our systems and processes in 2021 and 2022.

These reforms will need to be considered by the MHHS SCR programme implementation team from an early stage. The programme team should aim to understand what the reformed landscape of IT systems will look like.

These other Ofgem SCR projects are at more developed stages, with earlier implementation dates, and it is therefore likely that they will take a priority over the changes to support MHHS. This challenge is something that the implementation team will need to recognise.

Co-ordination across all the Ofgem SCR programmes is clearly key to a successful implementation of reforms.

10. What impact do you think the ongoing COVID-19 pandemic will have on these timescales?

The COVID-19 pandemic has affected the energy sector in 2020 in several ways including delays and re-planning of a number of significant Ofgem led industry wide projects.

The implementation of MHHS is however planned over a longer time horizon with much of the activity this year being governance or planning orientated. In practice therefore it should be possible to mitigate any impact from this year's issues and try and maintain the original schedule for the project.

There are however wider associated impacts to the energy sector that may have an influence on the initial effectiveness of the MHHS programme. For example, the smart metering roll out programme has been affected and therefore less meters capable of providing HH data in theory may now be available on the proposed implementation date.

A thorough review of the MHHS timescales and plan should identify any significant issues that have arisen in 2020.

Data access and privacy

11. We propose that there should be a legal obligation on the party responsible for settlement to collect data at daily granularity from domestic consumers who have opted out of HH data collection for settlement and forecasting purposes. Do you agree that this is a proportionate approach? We welcome your views.

Yes, this was considered as an option when the initial smart metering data privacy framework was drafted by Ofgem in conjunction with BEIS. At that point in time it was considered worthy of consideration but there was insufficient evidence to justify its inclusion.

The work of the MHHS SCR should be able to now provide that evidence in the form of the Impact Assessments that have been undertaken.

An aspect of the project should be a consumer communication and engagement activity to provide clarity to interested parties on this specific area.

Making this a legal obligation will help provide regulatory clarity as to the role and purpose for which the data is being obtained and used.

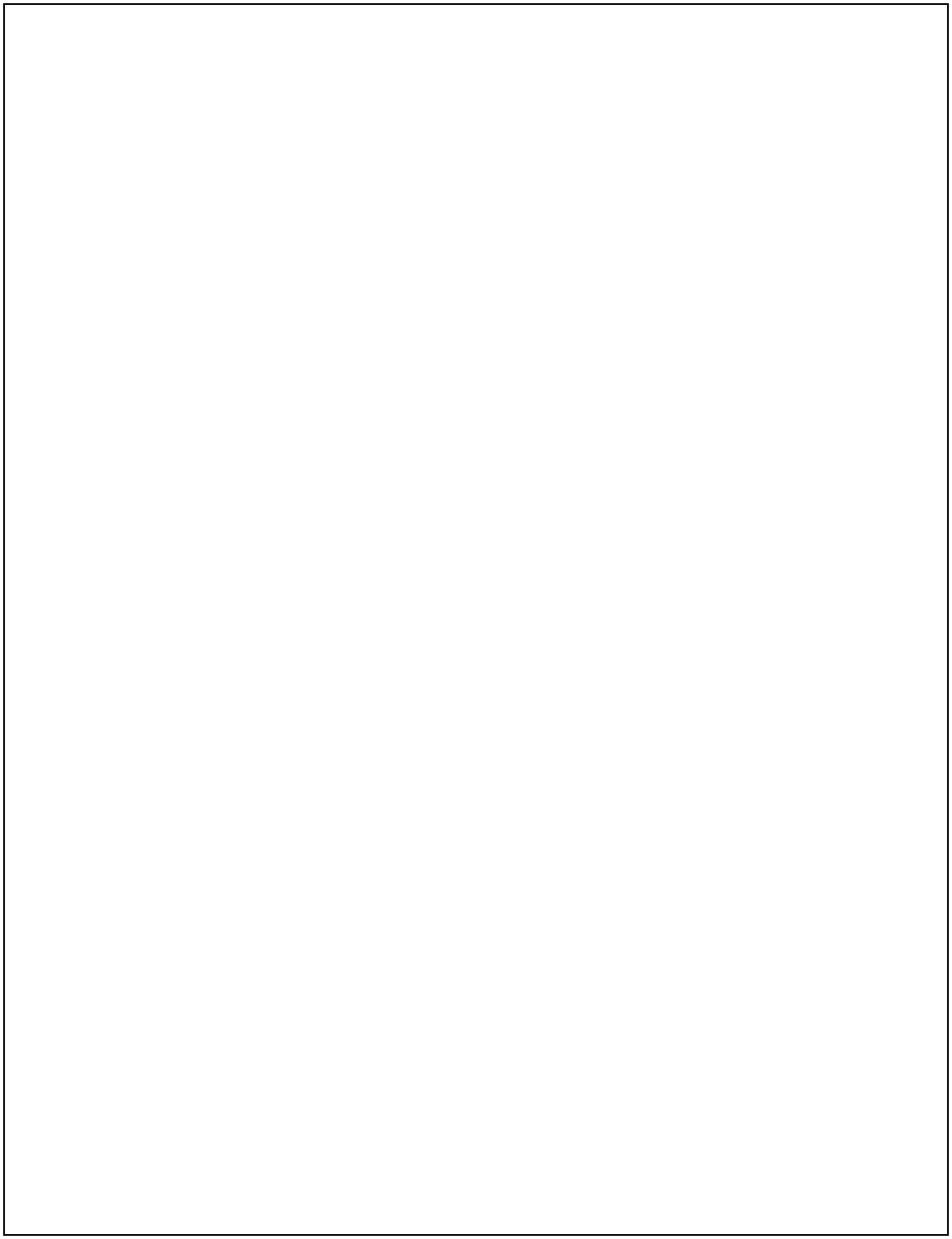
12. Existing customers currently have the right to opt out to monthly granularity of data collection. We are seeking evidence about whether it is proportionate to require data to be collected at daily granularity for settlement and forecasting purposes for some or all of these consumers. We welcome your views.

Having HH information available for all customers will aid in helping networks forecast usage better.

As an example; the information can be aggregated at a level that makes it still useful to a network provider (e.g. LV sub-station feeder) and still provide the anonymisation and protect consumers who do not want their information shared.

The value of having a central location for all HH data is that it would provide a cost-efficient service to easily access the data and provide analytical services to the wider electricity industry.

It also allows the DCC WAN network to be used in a more efficient way. Consumption data can be obtained, once per day, and used by many different industry parties. This will free bandwidth to be used for other messages (alerts, prepayment top-ups, firmware updates etc). This should make better use of the smart metering system that the industry and consumers have invested in.



13. Should there be a central element to the communication of settlement / forecasting and associated data sharing choices to consumers? For example, this may be a central body hosting a dedicated website or webpage to which suppliers may refer their customers if they want more information. If yes, what should that role be and who should fulfil it? We welcome your views.

Yes, providing clarity around the purpose and what type of data is being used in the industry is critical to ensuring that consumers are happy to share their data.

Seeing that data is being used to improve services and lower their costs will win people over to the idea of a central service managing data.

It can also be used a mechanism to explain to consumers the security and data protection that is applied to alleviate any concerns that they may have.

Consumer impacts

14. Do you have additional evidence which would help us refine the load shifting assumptions we have made in the Impact Assessment?

N/A

15. Do you have any views on the issues regarding the consumer impacts following implementation of MHHS? Please refer to the standalone paper we have published for more detailed information.

N/A

Programme management

16. Do you agree we have identified the right delivery functions to implement MHHS? We welcome your views.

These functions seem to build upon the current Faster Switching SCR approach to industry project management, which itself was developed from the experience of the implementation of Project Nexus in the gas sector. Both were similar cross industry projects involving multiple parties and systems. We therefore believe that this approach is a tried and trusted method that should be good to apply in this instance.

17. We have set out some possible options for the management of the delivery functions, and a proposal on how these would be funded. We welcome your views on this.

There is evidence from Project Nexus and the Faster Switching Programme of the pros and cons of the different approaches to the management of the delivery functions in a project like this.

There were specific issues that applied to Project Nexus and the project delivery by Xoserve that led to the FGO reforms of the governance of that organisation. Those same issues do not apply to Elexon and therefore there is a stronger argument for it to take more of a delivery lead role in the MHHS SCR.

It has, to date, provided a good set of outputs with the TOM and does have a track record of implementing IT solutions for the settlement and EMR activities.

It would therefore seem reasonable to make them accountable for delivery of the MHHS SCR, with ultimate control and decisions being made by the Ofgem acting in the SRO function.

Funding would then logically come from the usual Elexon budget setting process. In the past this has been used to fund major electricity sector reform (e.g. BETTA)

Other

18. Do you have any comments on the Impact Assessment published alongside this document, or any additional evidence that you think we should take into account?

N/A