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By email only: halfhourlysettlement@ofgem.gov.uk

14 September 2020

Dear Anna

Re: Electricity Retail Market-wide Half Hourly Settlement: Draft Impact Assessment

We welcome this continuing work towards the introduction of Market-Wide Half Hour Settlement (MHHS) and the opportunity to respond to your consultation on the draft impact assessment.

Your letter of 12 August 2019 requested information in connection with the Electricity Settlement Reform Significant Code Review. Our response (7 October 2019) set out the impacts on DCC in technical, financial and operational terms, and proposed two DCC solutions (with preliminary costings) to meet the needs of MHHS under the preferred TOM, for further consideration.

DCC has been regularly meeting with colleagues from SECAS, ELEXON and Ofgem to discuss the challenges of supporting the TOM, as the focus inside of the two working groups established for the current phase are working on assumptions about core DCC capabilities. We have led the impact assessment and design work that has been presented at the SEC Panel Sub-Committees for security and architecture by SECAS – highlighting the interdependencies across to the Retail Energy Code (REC) and Switching. We have taken a position of understanding the impacts of achieving technical and implementation compliance with the TOM and the broader programme. As such, our earlier solution proposals were discounted as they introduced issues for the end to end trust models that are fundamental to the secure operation of our infrastructure.

The new solution complies with with the TOM and aligns to the proposed changes to the SEC we have jointly developed with SECAS, TABASC and ELEXON. We have made progress with the solution to ensure that there is a valid and secure authentication model for the new agent role, and have supported the proposals to optimise the potential impact on DCC's overall capacity from supporting import and potentially export settlement data.

The preliminary costs for the new solution are in the same region as the costs which we submitted in our RFI response (October 2019). We are reviewing them with our service providers and will share them with you in due course.

We are happy to continue to engage with Ofgem as the proposals for MHHS are further developed, and in particular to discuss the practical implications for our systems and the options available to address the issues that arise.

Yours sincerely

A handwritten signature in black ink, appearing to be 'S. Stanger', with a long horizontal flourish extending to the right.

Siobhan Stanger
Chief Regulatory Officer

ANNEX: DCC RESPONSES TO QUESTIONS

1, 3, 4, 6, 7, 8, 10, 11, 16

QUESTION 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.

DCC RESPONSE:

DCC fully supports the introduction of MHHS. However, we have concerns that the Target Operating Model will potentially impact on current and future capacity for the DCC network as a result of the changes being made in the BSC domain. We are working with our service providers to understand the impacts in more detail and would welcome further discussion with Ofgem as our assessment develops.

QUESTION 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.

DCC RESPONSE:

We support the proposal that the Initial Settlement (SF) Run takes place 5-7 working days after the settlement date. We would expect that it is the responsibility of the supplier responsible for the collection of settlement data to ensure this target is met.

QUESTION 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.

DCC RESPONSE:

We support the proposal that the Final Reconciliation Run takes place 4 months after the settlement date. We would expect that if there are any issues impacting this i.e. if an electricity meter is not providing data, it is the responsibility of the supplier or MDR who is scheduling collection to ensure that the data is collected for MHHS purposes. This would be consistent with the existing settlement arrangements under which it is the responsibility of the supplier to ensure that data is collected. Whilst DCC outages or connectivity issues may impact the process for an interim period (e.g. a day or two), the DCC network will not be the root cause of missing settlement data.

QUESTION 6

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

DCC RESPONSE:

We support the proposal. However, we note that this will require a change to our service provider contracts, as export is out of scope for the ISFT5 forecasts for DCC traffic. The impact could be significant if penetration of export rises above 10, 30 or 50% of homes, effectively increasing the total traffic above the 100% baseline we are designed to support for import consumption. We have asked our service providers to model various scenarios (10%, 30% and 50%) for penetration levels for Q1 2024 to estimate demand, and expect increasing penetration levels to have higher impacts.

Initially, in 2023/24 around 25-30% of the installed electricity meters will be SMETS1, and outside of the SMETS2 design. We are speaking to our service providers, and whilst the design can accommodate export from SMETS1 devices, they do not store as much data for export generation as SMETS2 meters, and will need to be configured to do so by the energy supplier. There is no Export Daily Read Log stored within the device storing a (daily) snapshot of the register read data. Our service users will only have the option to collect the Instantaneous Export Registers, which cannot be scheduled by DCC (scheduled services help DCC manage network capacity). This needs further review and evaluation by DCC and its' customers to provide a clear view on the viability of supporting export for the SMETS1 estate.

QUESTION 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.

DCC RESPONSE:

We are broadly supportive that the transition period is the same for import and export related MPANs. However, given the issues we have highlighted in our response to question 6, DCC will need to first understand the views of its service provider and customers on the potential impact to overall network capacity and throughput as a result of carrying information that wasn't part of the initial forecasts.

We are working with our service providers to explore options to manage and schedule when data is provided within a 24-hour window for onward transmission to settlement by a supplier or agent and would welcome further discussion with Ofgem as our analysis develops.

QUESTION 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.

DCC RESPONSE:

We are broadly supportive of this timeline. We will need more information from Ofgem to be able to model the predicted transition volumes, and if this is expected to be evenly split across Great Britain regions or whether there will be any expected differences e.g. greater export penetration / transition in the north for export take-up as this would also impact capacity models. DCC will need to understand when the systems and initial capacity increase will start and how this will ramp up over the transition period.

QUESTION 10

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

DCC RESPONSE:

The impact of the on-going COVID-19 pandemic is to the installation of SMETS2 meters. However, despite the challenging circumstances the pace of the smart meter roll out has recovered well during the COVID-19 lockdown. There is the ongoing risk that further lockdown measures may be introduced later this year and in 2021.

A potential challenge to MHHS could be scheduling reads of settlement data due to higher than projected volumes of SMETS2 installations being carried out post 2024, creating capacity issues for our network. It is difficult at this stage to know the full extent of this issue arising, we therefore recommend a detailed assessment is carried out to understand a 'worst-case' scenario.

QUESTION 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.

DCC RESPONSE:

We are broadly supportive of the approach. We will require more information on the data which is required for the opt out model in order to understand the DCC impacts.

QUESTION 16

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

Ofgem have identified the following delivery functions:

- Overall programme coordinator;
- System integrator;
- Programme party coordinator, and
- An Assurance function.

DCC agrees with these delivery functions and note the risks and benefits of Ofgem taking an active sponsorship role and leading on PMO and programme party coordination functions or appointing an industry party with relevant knowledge.

This could be tested through an options appraisal evaluation to inform a competitive procurement process. This should include consideration for the governance and the role of a potential Partnership Operations Board and/or Strategic Partnership Board.

Due to the complexity of the programme and the extensive number of parties involved, Ofgem may want to consider the use of an electronic Programme Management Portal (ePMP) and a Project Management Information System (PMIS).

This would provide a single point of programme and project reporting and performance monitoring that would not only secure but could also be deployed on various platforms interlinked with SharePoint as the document repository.

DCC also believe that the development of a brand/identity of the Programme is critical in terms of the culture change process for stakeholders and will be happy to assist in positioning the MHHS benefits case back to customers and into the community.