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: EDF

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Is your feedback confidential? NO ☒ YES ☐

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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.

We agree with the TOM should be used as the basis for MHHS.

We have two areas of concern with the TOM:

- The first is that once the detail is in place below the TOM it will confirm that MHHS will be a large and complex undertaking for the industry. Therefore, prioritisation will be needed to ensure it is delivered in a reasonable timeframe; to minimise costs and secure early the benefits as early as possible, for example reducing customers bills by loadshifting as set out in the impact assessment by introducing new time of use tariffs. The timing of the Switching Programme delivery overlaps with MHHS and unless there is confidence that both can be delivered simultaneously then Ofgem will have to consider prioritisation. In such a cae then MHHS should be the priority deliverable as it will help reduce customer bills, support achieving net-zero and reduce the need for new infrastructure in the end to end energy system, as demonstrated in the MHHS Impact Assessment. It may also be worth considering whether any elements of the MHHS programme can be delivered at a slightly later point, while still delivering the benefits in the Impact Assessment.

- The second is that, while the TOM looks suitable at a high level, there is a lack of detail beneath it, which needs to be developed and agreed before industry participants can commence design and build work. Industry requires certainty on the design to minimise the risk of regret spend. If the detail is not in place in a timely manner this couold impact on the time periods set out for the transition phase of the programme.

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.

We agree that HH electricity consumption data should be sent to central settlement systems in a non-aggragated form.

There are not any clear benefits to the settlement process in aggregating data before it is provided to the central settlement systems. Removing the need for separate data aggregation should simplify the target architecture for MHHS, and reduce the number of systems and interfaces required to support the end to end process.

Parties that would previously have had access to the data held by Data Aggregators will need to be able to access the settlement data held and processed by the central settlement systems. This data is required for analytical and exception management processes.

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.

We agree with the ambition for the SF run to take place 5-7 working days after the settlement date. However, it still needs to be proven through development of the detail below the TOM and the changes to regulations that such a timescale can be achieved while delivering challenging but realistic targets for data accuracy. The timing of when SF runs can be shortened also depends on the level of smart meter penetration. There are two options should the smart meter penetration not be as high as expected; either to delay the shorting of the settlement window or reduce the % target for SF until the smart penetration is high enough.

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.

In principle we agree that the Final Reconciliation Run (RF) should take place 4 months after the settlement date. We do, however, have more concern about this target than the proposed changes to the SF timescales, as reducing the RF timings reduces the opportunity to correct settlement errors without resorting to dispute settlement runs. While 4 months should be the ambition, it can only be achieved if the TOM and changes to regulations needed to deliver MHHS enable accurate settlement data to be reliably and consistently provided within these timescales.

The penetration of smart meters remains a risk to the achievement of this ambition. Lower levels of penetration than forecast may mean delaying moving RF to 4 months after the settlement date, or doing so with a reduced percentage energy target until smart meter penetration has been suitably increased.

Another concern is the assumption that suppliers will read traditional meters every 3 months. Doing so will be very expensive, especially given the spread-out nature of the remaining meters, which increases travel time and reduces efficiency. Also, for many meters the reads at this frequency will only be needed for settlements purposes and not billing, and therefore no secondary benefits will be achieved. Some leeway should be made in the RF target for traditional meters not being read quarterly, in order to reduce industry costs while having a minimal impact on the benefits. Increased accuracy in estimation as a result of load shaping should reduce the need to have actual data by the RF date for non-smart meters.

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.

We support the proposal and agree with Ofgem's views but would urge Ofgem to ensure that it remains appropriate as work progresses. The appropriateness of the timing will be dependent upon the proportion of actual readings that will be available and the accuracy of that data.

There is a risk that if the Government's smart meter rollout has not progressed sufficiently, then 4 months for the RF run would be too short a period due to the lower resulting proportion of actual readings. If the period is too short, then this could impact upon disputes and other processes.

Ofgem will need to review where the industry is as a whole on the smart meter rollout before making a final determination to ensure the timings remain deliverable in practice.

Export-related meter points

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

We agree with the proposal to settle all known export MPANs on an HH basis under the TOM. It will provide additional benefits with little additional effort as the processes should be identical to those for import.

Export energy should only be settled where there is a commercial/contractual relationship between the customer/generator and the supplier for the purchase of that energy. Unless there is a contracted export supplier that energy cannot be included in settlement as there must be a responsible party for the export energy.

Once electric vehicles (EVs) with the capability to export energy and/or storage become wide spread there will be benefit at that point to settle all SMETS and advanced meters both for import and export and an improved process for deciding the responsible party for that export energy will need to be in place.

There are issues with FITs and SEG sites switching providers at the moment and other similar issues may arise that have to be resolved before the full potential of the benefits export can provide can be achieved.

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.

We agree with the proposal. It is expected that little additional activity will be needed to settle the export sites as the systems and processes under the TOM will be the same, and so they should be planned to transition at the same time.

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.

We agree that the transition period should be as short as practical, and we support the ambition for it to be 4 years in total. The earlier the programme is completed, the sooner customers and the country as a whole will see the benefits set out in the IA. This 4 year period includes an initial 3 years to develop and test new systems and processes, and then 1 year to migrate meter points to the new arrangements.

The Switching Programme delivery overlaps with the MHHS transition period. Both are large and complex programmes needing many of the same capabilities to deliver. The people and teams able to deliver these capabilities are limited. As such there is likely to be an impact in trying to deliver both simultaneously. It is likely that one will need to be prioritised to keep its timescales feasible at the expense of the other. Any prioritisation should be for MHHS, as it provides the lowest bills to customers and helps the end to end energy system best achieve net-zero.

In the latest MHHS programme plan it allows suppliers to be late movers, because of concerns around the impact of the switching programme. However, this additional 6 months in the plan removes 6 months for the migration period for the supplier and so still complete the programme in the same time period. This removal of 6 months from the migration period creates a large risk given the millions of meters that will be impacted. Our experience of major change programmes leads to the view that a 6 month migration period is not feasible.

COVID-19 has already impacted the proposed dates by 6 months, and is having an impact on Switching Programme timescales. Delays to the switching programme delivery timescales are likely to impact the ability of the industry to deliver a large and complex MHHS transition period in the 4 year period, and prioritisation may be required on which is the most important to deliver.

The TOM is not currently at a level of detail needed to commence design and build, and therefore enter the transition period. Only once

the detailed design is complete will the industry be able to properly commence their changes. This will impact when the 4 year transition period will begin.

There may be some elements of the programme that could be deprioritised without impacting the benefits too much, enabling the main bulk of the changes and benefits to be realised on time. We would encourage Ofgem to consider if there any opportunities around this, while as the same time minimising the risk of regret spend.

We are keen for MHHS to be delivered as soon as is practical, however it is a large and complex programme and ultimately pragmatism may be needed when reviewing the delivery timetable.

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.

Please refer to the answer to question 8.

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

COVID-19 could have 3 impacts on the timescales of the programme:

1. The Switching Programme timelines are moving due to the impact of COVID-19. This is a particular concern for EDF due to the potential implications of delivering two major change programmes at the same time.
2. It has already delayed the timescales within the consultation by 6 months. Further impacts could cause further delays.
3. Customer appetite to allow smart meter installers in the home could be reduced for a prolonged period of time, which would have an impact on the expected smart meter penetration in June 2025.

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.

Ofgem's overall position to data access within the MHHS programme is NOT a proportionate approach. We remain convinced that settlements and forecasting of energy is a core and fundamental operation of the industry and key to supporting UK targets on net zero.

With MHHS remaining optional in some circumstances we do agree with Ofgem 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. There is more benefit in daily data to the end to end energy system than monthly data.

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.

It is proportionate to collect daily data for these customers; the data will strictly be used for settlement and forecasting purposes only, and there are potential benefits to the customer switching suppliers and being able to access the best tariffs for them, as well as additional benefits for the energy system and net zero goals.

We understand the approach being taken by Ofgem to existing smart meter customers who have opted to have monthly data whereby they have special rules until they either change supplier or re-contract. However, this does add complexity to systems and process rules, and creates a barrier for those customers to switching and getting the best tariff available.

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, there should be a central element to the communication of settlement / forecasting and associated data sharing choices to consumers. However, this should be restricted to a webpage where suppliers can direct customers who require more information from an independent source. There should also be coordination across suppliers of the terminology they use to reduce customer confusion and assist with change of supplier events.

Consumer impacts

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

We agree with the direction of the Impact Assessment in terms of load shifting assumptions. We do not have any additional evidence that would help to refine these assumptions.

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.

We agree that the level of benefits estimated within the Impact Assessment should be achievable. However, the detail as to how they will be enabled is not clear at this stage. The market should be able to develop naturally; it is important is that innovation is allowed to happen and is not pre-empted with restrictive regulation. In time, regulation is likely to be needed to ensure certain vulnerable groups are not unnecessarily negatively impacted as risks and issues arise. When any regulations are put in place they need to cover all the market participants in that area of operation and not just those which Ofgem traditionally regulate.

Programme management

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

We agree that the functions that have been identified appear to be appropriate for a programme of this size and complexity. The parties that undertake these functions will need the appropriate skills to carry out these functions, as well as a good understanding of the energy industry and the stakeholders in it.

The MHHS programme is likely to require the most extensive set of changes to industry arrangements that have been seen since the market opened up in 1998. It impacts a wide range of parties and stakeholders, and will require fundamental changes to systems and processes that underpin the effective operation of the electricity industry. Strong and effective programme management will be required to ensure the successful delivery of MHHS.

We note that the proposed structure broadly replicates that of the Switching Programme, which has experienced a number of issues in relation to these roles, and the parties carrying them out. When considering their approach, Ofgem should conduct a lessons learnt exercise to understand where and how issues have arisen and ensure that these are not replicated in the MHHS programme.

While Ofgem does not necessarily need to lead on the PMO and programme party coordination functions, it is important that they take an active sponsorship role. Without clear leadership and accountability for driving MHHS forward, and the ability to take action where parties are failing to support the programme, there is a risk that it will not deliver.

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.

An assessment of the skills required to be able to undertake the Project Manager and System Integrator roles is needed in a programme of thissize and scope. These roles require specialist expertise; having an expert knowledge of the settlement arrangements and the proposed changes being made is useful, but is just part of the required skill set. The implementation of MHHS is something that will have an impact not just on settlement, but on customer facing processes like switching and billing. The chosen party must have an understanding of the impacts on customer facing processes as well.

Elexon would be well placed to fulfil these roles and there is benefit in their involvement, particularly with the experience to date on the MHHS programme. However, concerns with their experience in dealing with impacts on customers will need to be addressed if they were to be put into these roles.

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?

We have reviewed the Impact Assessment, and agree that there is positive business case to support delivery the programme. However, we wish to make two points:

1. It will not be possible to deliver the programme within the costs estimated, especially for suppliers. We expect the actual supplier costs for delivering the programme to be much higher than estimated, but not high enough to damage the overall positive Impact Assessment. If the costs are higher then they will need to be added to the Price Cap costs.

2. Though the benefits are back loaded in the 2035+ period, any lower penetration of smart meters in the near term below what the Impact Assessment assumes will have an effect on the business case in the later-half of the 2020s. Again, this loss of benefit will not be large enough to reduce the Impact Assessment to be negative.