

HH Settlement Team
OFGEM
10 South Colonnade
Canary Wharf
London
E14 4PU

Dear Sirs,

RE: Response to HH Settlement Consultation

Energy Assets is a leading independent metering services, asset management and utility network construction company.

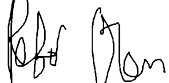
As an accredited meter asset manager, meter operator and data collector/aggregator, we work alongside major energy suppliers and partner with some of the country's biggest brands and best-known public sector organisations. They look to us for advanced metering services, automated data collection, analytics and utility network services to help optimise gas, water and electricity consumption.

We are submitting our responses below to the Consultation on Market Wide Half Hourly Settlement.

Please note that Energy Assets (EAL) is a member of the Association of Independent Meter and Data Agents (AIMDA). We are fully in support of the consultation response that is being submitted by AIMDA.

Should you wish to discuss any aspect of Energy Assets' response please do not hesitate to contact Peter Olsen (peterolsen@energyassets.co.uk).

Yours faithfully,



Peter Olsen
Head of Legal and Regulation

EVERYTHING CONNECTS

Target Operating Model (chapter 3)

Question	Response
<p>1. We propose to introduce MHHS based on the Target Operating Model recommended by the Design Working Group last year. Do you agree? We welcome your views.</p>	<p>EAL supports the concept of introducing Market Wide Half Hourly Settlement (MHHS). We believe it will deliver additional benefits to consumers and the industry as a whole and above those benefits that will be achieved by deploying advance meters and smart meters.</p> <p>In addition to making settlement more accurate and efficient it provides a platform for flexibility, innovation and competition which will assist in the wider objectives of meeting the UK’s Net Zero commitment.</p> <p>OFGEM acknowledges that the path to Net Zero needs to be undertaken at the lowest cost to consumers but it also needs to create a flexible electricity system.</p> <p>We do have some concerns about the Target Operating Model as currently proposed and whether it will necessarily deliver lowest cost and flexibility.</p> <p>The centralisation of the Data Aggregation (DA) function does not seem to provide any real advantages but does have some negative consequences:</p> <ul style="list-style-type: none"> • Currently the DA function is a competitive service offered by commercial parties to a variety of customers. • Competition between the commercial parties offering these services provides incentives to those parties to innovate and deliver those services in a variety of formats (e.g. standalone, bundled etc) for the benefit of the consumers. • If the service is centralised, we believe the central delivery body will not have the incentive, desire or flexibility to provide innovative services. • Competition is therefore lessened, and we will have a retrograde step back towards monopolisation. • Furthermore, the central body will have greater power to control elements of the system. This would potentially provide them with a desire to expand their remit even further with the attendant loss in competition, innovation and other commercial services. • There is a risk that sending non-aggregated data will heighten privacy concerns which will lead to a potential for greater numbers of consumers to opt out. <p>We are also concerned, while acknowledging that the issue of data storage has not been addressed yet, that the volume of data flowing through industry systems will increase dramatically if non-aggregated data is being transferred.</p> <p>If the TOM is implemented as proposed we would also be concerned that the ability for a central body to be in possession of all the data will require comprehensive controls and restrictions to prevent them profiting or offering commercial services.</p>

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	<p>Because of the concerns raised above we support AIMDA’s Alternative TOM which will deliver the benefits of MHHS without reducing competition and at lower cost</p>
<p>2. Ofgem’s preferred position is that HH electricity consumption data should be sent to central settlement services in non-aggregated form. Do you agree? We welcome your views.</p>	<p>EAL does not believe that it is either necessary or desirable to send HH to central settlement in a non-aggregated form.</p> <p>Creating any type of central data lake is unnecessary because it is not required for efficient functioning of the settlement process.</p> <p>However, the increase in data flows required to send data through the system will create an inefficiency and will require greater and scalable central systems.</p> <p>We also believe that the loss of the DA function will lead to a reduction in competition and innovation. It will also mean parties are less incentivised to provide the innovation required to ensure that the benefits of MHHS are delivered.</p> <p>We believe it is possible to deliver those benefits without reducing the abilities of industry parties to offer competitive services that incentivise parties to innovate.</p> <p>We again refer to the AIMDA Alternative TOM.</p>

Settlement timetable (chapter 4)

Question	Response
<p>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.</p>	<p>EAL would prefer to see an Initial Settlement Run of at least 7 working days.</p> <p>While efficiencies will be gained by having MHHS it does increase the risk caused by failures in some central systems (e.g. DCC) or mobile network outages.</p> <p>Accordingly, by having at least 7 working days it will reduce the risk of failures having a material impact on the settlement process as the extra time will allow for recoveries.</p>
<p>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.</p>	<p>This would appear reasonable.</p>
<p>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 about its potential impact on financial certainty for Balancing and Settlement Code parties.</p>	<p>This would appear reasonable.</p>

Export-related meter points (chapter 5)

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

Transition period (chapter 6)

Question	Response
<p>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.</p>	<p>EAL believes it will be difficult for the industry to deliver this transition within 4 years.</p> <p>Experience of other industry changes (e.g. Project Nexus) demonstrates that when multiple parties and systems are involved much more communication is required and therefore system changes simply take longer. Furthermore, the ongoing impact of COVID-19 is hard to judge and therefore contingency is more important under these circumstances.</p> <p>Transitions dates should be built with contingency built into the timetable and if possible, dates should not be moved. Certainty around requirements and a longer initial timetable will be better placed to deliver than the uncertainty associated with moving dates. IT teams will get deployed but may have to be stood down or transferred to other projects when dates are moved.</p> <p>OFGEM should also consider the wide issues associated with a change of this magnitude.</p> <p>Smart/advanced meter market penetration, faster switching programme and various other programmes will require resources from industry participants which will impact on their ability to deliver these programmes.</p> <p>EAL believes that a longer timetable with contingency and certainty will be more beneficial to the industry and consumers.</p>
<p>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.</p>	<p>EAL considers that more thought needs to be given to several factors:</p> <ul style="list-style-type: none"> • Contingency needs to be built in; • Cross dependencies need to be understood better (i.e. will commercial parties start their own builds at the same time as central bodies knowing that changes by the central systems will impact on their own builds); • Testing periods will probably require longer times than allotted. We can assume that nothing will work the first time, but timetables become elongated when fixes have to be applied and testing iterations are undertaken; • Will testing capacity exist to have everyone testing everything at the same time? • Qualification will invariably take longer given that participants will all be trying to do so at the same time. Again, will there be sufficient capacity?
<p>10. What impact do you think the ongoing COVID-19 pandemic will have on these timescales?</p>	<p>COVID-19 will have a lasting impact and all timescales will be at risk.</p> <p>While lockdowns (partial or geographic) will have a direct impact on timescales there will be longer indirect impact on timescales.</p>

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	<p>While remote working has been positive for vast swathes of the UK economy there has also been a slow down in communication. This will remain within the economy for a lot longer than the effects of an actual lock down.</p> <p>The economy is effectively going through an adjustment reaction to the new world we are in. It will take time for that adjustment reaction to work it's way through and we go back to the same levels of efficiency and productivity that existed before.</p> <p>We believe the timescales of all industry programmes are at risk. Many have been pushed back for 3 – 6 months based on the initial lockdown. We are waiting to see if a second wave arrives and whether a second lock down is needed. Either way everything takes longer to do and it will remain that way for a few years.</p>
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Data access and privacy (chapter 7)

Question	Response
<p>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.</p>	<p>Yes.</p>
<p>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.</p>	<p>EAL believes that the industry should maximise the ability to collect HH data as this will maximise the benefits of the programme. However, we accept that privacy issues need to be addressed.</p> <p>We also wonder whether centralising the DA causes additional problems in this context. If the data is sent aggregated there would surely be less privacy concerns and therefore less consumers would choose to opt out?</p>
<p>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.</p>	<p>EAL believe that an independent website hosted by a consumer organization would be the best way to deliver this.</p>

Consumer impacts (chapter 8)

Question	Response
<p>14. Do you have additional evidence which would help us refine the load shifting assumptions we have made in the Impact Assessment?</p>	<p>EAL does have some concerns about the load shifting assumptions:</p> <ul style="list-style-type: none"> • The lack of data suggests there is high probability that benefits are overestimated because the number of people who look for Time of Use (TOU) tariffs and load shift opportunities will be limited; • The lack of data is even more problematic when considering the non-domestic market; • In domestic households it is probably safe to assume that decision maker, bill payer and person actively engaging in load shifting are all the same person. This will not be true for large numbers of non-domestics. Accordingly, even limited data to support non-domestic load shifting it likely to be overestimated given it will not be drawn from all those with an interest; • Non-domestics are more likely to engage in expenditure forecasting and therefore stable rates and ability to forecast future expenditure are more important than load shifting; • The range of SMEs and Microbusinesses in the UK makes it difficult to identify anything that will have universal appeal to encourage load shifting; • SMEs and Microbusinesses are time poor, which means messaging them about the benefits will have limited impact. <p>We believe that in order for SMEs and Microbusinesses to secure the maximum potential benefits of load shifting, there needs to be a competitive market for those technologies that is free to innovate and develop a variety of solutions that meet the diverse requirements of businesses.</p>
<p>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.</p>	<p>It is EAL's view that:</p> <ul style="list-style-type: none"> • Maximum choice, competition and flexibility needs be provided (particularly to SMEs and Microbusinesses) to ensure that maximum benefits can be gained; • Monopolising/centralising of services will detract from the ability of the industry to provide flexible services to meet the needs and requirements of consumers from both segments but certainly in the non-domestic segment; • Extrapolating concepts from the domestic market will not have the same impact within the non-domestic market; • By allowing maximum flexibility the industry will be better placed to provide appropriate services to the diverse requirements in both segments of the market.

Programme management (chapter 9)

Question	Response
<p>16. Do you agree we have identified the right delivery functions to implement MHHS? We welcome your views.</p>	<p>EAL believes that OFGEM should learn from previous programmes. Project Nexus seemed to struggle until OFGEM took more direct control. Programme Managers and Co-ordinators and a Systems Integrator seem to be absolute requirements for major changes that affect the whole industry.</p>
<p>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.</p>	<p>OFGEM need to maintain overall control but have appropriate powers to control programme managers and co-ordinators.</p> <p>We believe that if OFGEM does not do this there is a chance that participants will move in line with their own agendas. We consider BSC Mod P413 as an example of what happens if parties are left to go about this in line with their own agendas.</p>

Other (chapter 10)

Question	Response
<p>18. Do you have any comments on the Impact Assessment published alongside this</p>	<p>EAL believes that considerable works needs to be done to ensure that the Impact Assessment can accurately articulate the impact.</p> <p>The range between the low benefits and high benefits is vast. We believe this to be a consequence of not being able to show with any great evidence what the impact on consumers will be.</p> <p>The high benefit scenario seems entirely unrealistic given the costs expected. This is demonstrating a rate of return that is difficult to imagine ever occurring in a programme such as this.</p> <p>Conversely, the low benefit scenario may be an acceptable return but it is highly likely the benefits will shrink and costs rise dramatically, especially given that there is a lack of detail surrounding central costs.</p> <p>We also believe that benefits will take longer to be delivered given the dependencies on COVID-19 and other programmes such as the smart meter programme.</p>