

Feedback Form

Electricity retail market-wide half-hourly settlement: consultation

Please send this form to HalfHourlySettlement@ofgem.gov.uk once completed.

As noted in the consultation document, no deadline for responses is being set at this time. When we set one, we will publish an update on the Ofgem website, and give at least 10 week's notice.

Organisation: Electricity North West Limited

Contact: Bryan Heap

Is your feedback confidential? NO YES

Unless you mark your response confidential, we will publish it on our website, www.ofgem.gov.uk, and put it in our library. You can ask us to keep your response confidential, and we will respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your

response confidential, you should clearly mark your response to that effect and include reasons.

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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 support the introduction of the TOM based upon our assessments of the principles and elements impacting upon the distribution networks. There are some of the deeper elements of the TOM which need to be worked through at an industry level and this will need to be completed in a timely manner.

We are aware the North West region has significantly fewer smart meters than in other areas of the country. It would therefore be helpful to understand the plans for the introduction of the TOM and how this could co-ordinate with a continued need for focus on the smart meter roll out programme. The current situation will result in a significant number of non-smart meters requiring settlement under a new model with an unclear level of additional benefit. This should be factored in to the full business case assessment as it will impact upon the cost benefit assessment.

We understand that the non-smart meters will be also be settled under the new TOM. It would be helpful to understand how this process will work in practice. We assume that the current demand profiles will be replaced using a modelled profile from other smart metered customers. This could have consequences of using a relatively small sample (with the potential to change significantly over time) to settle a significant number of non smart meters. This is likely to create more volatility in charge profiles(if the profiles are inconsistent with actual smart meter data).

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 do not have any views on this position.

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 do not have any views on this position.

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.

We do not have any views on this position.

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 do not have any views on this position.

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 proposed position. We noted in our response to the earlier request for information that the smart grid benefits secured for customers as part of our RIIO-ED1 settlement are dependent upon understanding the import and export onto the networks. This is an important element of the transition to a DSO, allowing DNOs to understand capacity constraints in specific areas and manage these efficiently for customers to avoid reinforcement if other solutions are available.

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. The transition for import and export should be aligned to minimise the risk of customer (or industry) confusion over the timelines for each settlement process.

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 with the proposed timelines but note the dependency on a number of key variables.

The first issue relates to the smart meter roll out programme. The current rate of delivery for the smart meter roll out programme is highly unlikely to deliver the projected benefits for the move to half hourly settlement. It would be very useful to understand in the full business case if there is a minimum level of smart meter saturation to deliver a positive cost benefit analysis result. This analysis may help to determine how quickly/slowly the transition period should deliver the new arrangements.

There are also a number of other ongoing significant code reviews and other industry changes which have implications for the IT estates of the industry parties. Whilst we have been able to deliver the key services and retain engagement with the numerous industry change programmes such as RIIO-ED2, Faster Switching etc, we are aware of a number of industry parties who have found it very difficult to resource. As a result of prioritising the operational response to the pandemic, many of these proposed changes have been significantly delayed, resulting in a significant level of programme timetable redesign. The interdependencies between the programmes must be clearly understood, communicated and managed to maximise the chances of successful delivery.

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.

The distribution networks were specifically mentioned in terms of the development and transition of the registration systems. As previously mentioned, there are significant interdependencies (for the development of the internal and external IT infrastructure) with the other industry changes (particularly with Faster Switching which requires a significant level of engagement, development and system redesign) and significant code reviews. Ensuring the timings of the changes is vital to ensure that the same resources are not compromised by multiple projects. We have previously raised these points and concerns with members of Ofgem and the ELEXON teams via the Commercial Operations Group.

The other aspect relating to the transition is the movement of unmetered supplies customers to the new half hourly settled arrangements. As previously noted, the majority of these customers are relatively small operations (such as social groups, communities, residents associations, sports clubs etc). It will be important to engage with these customers to ensure that these customers understand the implications of the new settlement arrangements.

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

We agree that the impact of the pandemic has to be factored into the timescales. There are a significant number of unknown factors relating to some sectors of the industry's ability to deliver the required level of change when there are uncertainties over the availability of key staff, resources etc. Ofgem's key role is to develop a fully cohesive plan across the multiple different programmes and ensure that the plan recognises and responds to any unanticipated shocks in a co-ordinated way.

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.

This question will be best answered by suppliers.

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.

This question will be best answered by suppliers, end consumers and consumer representative groups.

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.

This question will be best answered by suppliers.

Consumer impacts

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

This question will be best answered by suppliers.

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 have noted in previous consultations that the impact on unmetered customers must be carefully managed. The details around the transition from NHH to HH have not been fully identified and communicated at this point. The cost implications for these customers also needs to be understood and addressed.

Programme management

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

Our key concern is that the cost of the delivery of MHHS will be ultimately borne by energy customers. It is therefore important to ensure that an appropriate consideration of the cost compared to the actual risks they mitigate (or benefits these functions bring). We support having programme delivery capability and indeed think Ofgem should link together programme planning across the multiple changes it is driving.

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.

We support Ofgem's proposal that costs would be met by BSC parties under the current funding structure.

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 no additional comments.