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[ICoSS response to Electricity Retail Market-wide Half-hourly Settlement -Draft Impact Assessment Consultation](#)

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market. Our members collectively supply three-quarters of the gas needs of the non-domestic sector as well as half of the electricity provided by non-domestic independent suppliers¹.

Please note that our response only concerns the non-domestic market and we have focussed our response on those areas

Changes to Settlement timetable

We have no significant concerns regarding the shortening of the settlement timescales in principle, as it will improve certainty on settlement positions and so reduce volatility in cashflow, but any change must have a clear net benefit for the market. Shortening of the settlement timescales will improve certainty on settlement positions and so reduce volatility in cashflow, but any change must have a clear net benefit for the market. Shortening of the settlement regime should only be undertaken where there is a high degree of confidence that the vast majority of sites can have meter reads obtained and successfully loaded every half-hour. There should also be a robust and equitable process for managing any disputes or errors that arise.



In this latter regard, we have significant concerns regarding the proposals to shorten the current industry timeline for managing long-term settlement issues. Under the Limitations Act a contract (including an energy supply contract) can be queried for up to six years. For larger customers in particular, contractual disputes can and do arise regarding the amount of energy that a site has used, sometimes several years after the settlement date in question. These can be corrections worth millions of pounds to either to increase or decrease the amount of energy that the customer has initially been allocated, with a consequential correction to any invoices.

The current regime prevents a supplier from fully correcting known errors in settlement to reflect these bill corrections and, for the avoidance of doubt, we do not support the current arbitrary limitation of 28 months for correcting known errors. The current Extra-Settlement Disputes process is not sufficient to address the gap between the ending of the DF run and the deadline for disputing contracts. Shortening the process to 20 months will exacerbate the issue, exposing suppliers to the risk of additional costs that cannot be reflected in settlement. Worse it will prevent the higher consumption for a site (with lower costs for other customers) being reflected in settlement.

We note that the gas market has an equitable process to address any material errors that are found, which was approved by Ofgem in 2013² in part due to a recognition that shortening the timescales for gas settlement increased the risk that errors could not be corrected in time. If the DF process is to be shortened, then the ESD regime will need to be aligned to the gas process to ensure an equitable and manageable fallback process exists.

Export-related meter points

We see that having more accurate registration of small-scale power exported onto the grid would improve settlement accuracy and so support the concept in principle. Sufficient time must be given in any project to allow delivery of this change, however.

Project Delivery Timeline

The COVID-19 pandemic has had two key impacts on this project. Firstly, the roll out of smart metering has been significantly curtailed during the last six months and we anticipate that its impact will continue in some degree for the foreseeable future. This will mean that the point at which the critical mass of Smart/AMR metering to justify this settlement change will take longer to achieve than previously assumed.

² <https://www.gasgovernance.co.uk/0429>



Secondly, the market has fewer resources to deliver the multiple, supposedly critical, industry changes (in addition to those identified in figure 3 we would add, as a minimum the Microbusiness Review, CEP implementation and CSS proposals) that must be delivered in the next 12 months. It would be challenging to deliver these multiple programmes in optimal situations; under current conditions it will be extremely difficult, particularly for smaller suppliers who have limited resources.

We therefore believe that the current timetable as shared by Ofgem in its recent stakeholder holder, is overly ambitious and that work on settlement reform should therefore not be started in Q1 2021, at least by smaller and non-domestic suppliers. Instead of attempting to deliver these multiple industry changes in parallel, there should be a sequencing of Settlement Reform and other projects to allow robust delivery. To avoid overlap with the Faster Switching programme, we would suggest a commencement date for Smaller and Non-domestic suppliers to align with “late mover” supplier timeline.

Finally, whilst we understand the merits of a transition to the new regime, this is likely to present many practical difficulties for industry parties who will have to operate old and new processes in parallel. Consideration should be given to a hard cutover to the new settlement regime to avoid this duplication.

Programme management

In order to ensure a transparent process, it is our view that the current government structure of this project needs to be revised to allow meaningful engagement by all affected industry parties as we move into the DBT test phase. Going forward, the use of narrow, invite-only groups to develop and deliver policy is inappropriate as this project will now impact all parties involved in the electricity market. The current governance structure for the Switching Programme has been successful in allowing open and transparent governance of that project. We believe that a similar structure (with separate constituency representatives for domestic and non-domestic suppliers, as well as electricity networks) would provide the same benefits.

Please get in touch should you wish to discuss any aspect of this response further.

Yours sincerely



A handwritten signature in grey ink that reads 'G. Evans'.

Gareth Evans
ICoSS