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for energy consumers

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.

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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.

IMServ agrees with the introduction of mandatory HH settlement. It is an important step to a future, more dynamic, flexible energy system to face the challenge of Net Zero.

IMServ is also pleased to see that Ofgem values the benefits of competition in the agent data collection market.

However, we do not agree with the target-operating model that was recommended by the DWG. The removal of data aggregation as a competitive activity is unnecessary in our view and can be facilitated through smaller modifications to the existing market mechanics.

The creation of a market-wide data service under the control of a central services provider is a retrograde step. It is unnecessary to do this to perform settlement, as hardly any settlement activities need HH data at a meter-point level (currently) and we do not see rapid growth in this area. Besides, even in the event of rapid growth, meter-point level data can be provided easily and effectively by the current data aggregators using the mechanisms that have been well established over the last 5 years.

To use this as a basis to remove data aggregation as an independent activity is unjustified. Creating a market-wide HH data service is a behemoth that the industry does not need. It would be effective at both cost and operational levels to build mechanisms that achieve the same goals, whilst leaving the data aggregation function intact.

IMServ understands that Ofgem has concerns about data aggregation agents acting as gatekeepers to customer data. This is easily solved by regulating a simple common interface leaving data aggregation with data aggregators whilst streamlining the accessibility of this data to settlement, customers, agencies working for those customers, or any other authorised parties. This is more elegant solution, achieving the same aims, whilst being less damaging to the current competitive market.

This alternative to the DWG's TOM has been worked up by AIMDA, and is available on the AIMDA website <https://www.aimda.co.uk/>. AIMDA, the Association of Independent Meter and Data Agents, of which IMServ is a member, is made up of seven of the UK's largest, and competing, independent non-domestic customer metering and data collection businesses. Together we have developed a fully-supported alternative that explores the idea of retaining data aggregation whilst facilitating open-access to data.

IMServ also believe that more of the current arrangements could have been preserved, thereby minimising the amount of change that is required. There is much about the DWG TOM that is change for the sake of change. For example, reforming the HH data collector activity as the advanced data service, and requiring reaccreditation into that role, appears unnecessary, as the function of the role is broadly unchanged.

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.

IMServ agrees that HH electricity consumption data and export data should be made available to the central settlement systems.

IMServ does not agree that it should be sent to them in non-aggregated form for all meter-points. Today settlement already accesses consumption data at a meter-point level and consumes it from HH data aggregators. This model is perfectly acceptable to enable the central settlement systems to perform the nuanced settlement calculations that are being introduced through modification. However this type of secondary settlement is at a very low volume level of activity and this doesn't warrant sending 30 million sets of HH data into central settlement on a daily basis to perform calculations.

Additionally, the creation of a central market data store has hidden costs and risks that have not been considered by the Impact Assessment. There are security, confidentiality and privacy risks created by such a singular store that to-date have not been sufficiently assessed.

An alternative to the DWG’s TOM has been worked up by AIMDA, and is available on the AIMDA website <https://www.aimda.co.uk/>. In this alternative TOM, data aggregation is still performed at the data service providers, reducing the amount of unnecessary data being distributed and stored for settlement, whilst making meter-point level data available to settlement *should* it be required. A practical mechanism to facilitate open access to the data held by data collectors is also included in the alternative TOM.

Notwithstanding the alternative AIMDA TOM that is IMServ’s preference, within the existing DWG preferred TOM, IMServ does not believe that even if data aggregation in its current form is removed, this necessitates data being *sent* to the central settlement systems. Validated, settlement quality data will always be available at the data collectors. In the DWG’s TOM, central settlement needs to be able to *access* this data, not necessarily be *sent* it and stored. There are much more efficient ways of choosing to deliver this model.

IMServ would prefer to continue delivering data aggregation services to the market in a competitive model. We believe that this will be much more effective, efficient and safer over time, and requires much less significant investment and change.

IMServ is also concerned about the potential uses that the central settlements provider might put non-aggregated data towards. The data is being provided for settlement – any further commercial exploitation of that data in any form by ELEXON (or by any other central service provider for that matter) should not be permitted as it would undermine the market for commercial services. This would be detrimental to our customers in the longer term.

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.

Bringing forward initial settlement certainly has its advantages in terms of the amount of credit that is required in the market and is therefore attractive to energy suppliers and new entrants. It is possible because of the availability of HH settlement data from the multitude of smart meters that will be deployed by the mid-2020s.

Assuming that the DCC is able to deal with the huge volumes of data that need to flow from smart meters to the smart data services, these timeframes are achievable.

There will however be knock-ons effects as a reduction in the settlement timetable like this gives us less chance for opportunities to resolve metering issues from the largest sites, both in the CVA and SVA markets. Meter communications outages could have a more serious short-term impact. There is therefore a risk of greater volatility at initial settlement.

IMServ therefore think that the SF Run should be placed at the back-end of this window: 7WD rather than 5WD, to better balance the risk of volatility with the improvements to credit cover.

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.

IMServ agree that final reconciliation can be brought forward 4 months so long as there are not large volumes of traditionally read meters still in play.

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.

The bringing forward of the dispute reconciliation process is again attractive as it closes out settlement. At first glance allowing another 20 months to perform dispute reconciliation, even with these ratcheted materiality proposals, seems like a long time. However it can take time for problems with metering and settlement to be uncovered and then resolved. IMServ believes this proposal is a fair balance between time to reach the final position, and the opportunity to find and resolve these issues.

Export-related meter points

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

IMServ agree that the proposals should be introduced for both import and export meter points. Export electricity production is an increasingly important feature of our flexible energy market and not always settled based on accurate data, when there is accurate data available. This is definitely not the right thing for the long-term, so therefore IMServ believes that this the correct step forwards.

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.

IMServ also agrees that the transition period for import and export meter points should be the same. There is no sensible reason not to do them together from the agent perspective.

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.

This is a challenging transition period and it is very appealing to introduce HH settlement for all metering systems in a rapid time frame to gain maximum benefits and to encourage the move to a flexible energy system.

Practically, though, IMServ is unsure that this is enough time.

To be able to start developing testing and qualifying new systems in these timeframes will mean that there needs to be a maturity to the processes and documentation that the industry provides to participants in the industry to develop against.

History tells us this does not always happen immediately and the change processes that we use are often slow and cumbersome.

If collectively, we can hit the ground running, development and test timescales are achievable but if we're not sure about what we are developing, then they are not.

Perhaps another 12 months is a more realistic timeframe.

A migration period of one year is also extremely challenging. The mechanisms to support this migration has not yet been developed or even suggested. More work is required in this area to determine if this timescale is realistic.

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.

As IMServ outlined in its answer to question 8, this is a challenging transition period and we are not sure that this is enough time.

To be able to start developing testing and qualifying new systems in these timeframes will mean that there needs to be a maturity to the processes and documentation that the industry provides to participants in the industry to develop against.

The level of planning that all parties have engaged in up to this point, based on the briefest outlines of the requirements and in the absence of firm operational and architectural models, means that any planning estimates provided at this stage are very high level and IMServ would recommend a sizeable contingency time is placed against them.

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

After the initial lockdown period, productivity levels have returned to normal. Assuming that there is no significant second wave that has a material impact on the industry's productivity levels, IMServ can see no reason why COVID-19 will have any long-term further impact on these timescales.

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.

IMserv believes that the proposals around data privacy and opt out are proportionate. They respect the privacy of the individual if they choose to have their HH data opted out of settlement and forecasting, For the purposes of making these processes accurate, obtaining a midnight reading from the smart meter is an acceptable compromise without infringing the privacy of the individual.

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.

Revisions to the data access and privacy arrangements are in IMServ's view proportionate and the right way forward for the accuracy of this market whilst balancing the privacy concerns of individuals.

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.

IMServ believes that information should be made available to consumers and suppliers to refer to should they need to. The impartiality of Citizen's Advice would seem a good place to consider placing such advice.

Consumer impacts

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

IMServ has no additional evidence to provide.

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.

IMServ are very pleased that the standalone paper considered the impact on smaller non-domestic customers separately from the impact on domestic customers. Market-wide half-hourly settlement is an enabler to a more innovative, flexible and technology-based energy future.

There will be limited direct and immediate impact from MHHS. Non-domestic consumers will not be drawn to MHHS as a product. However, as the industry develop and deploys new products and innovations, this will have a consumer impact. This could take some time, so patience will be necessary, but without MHHS it would not happen at all.

IMServ also believe that the market must not be over-regulated and that freedom should be left to the energy industry to innovate and develop these new products and services. For this reason, any new monopolies should be avoided, as they will eventually stifle innovation.

Programme management

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

IMServ think that Ofgem have identified the right delivery functions.

This is a substantial programme of delivery and needs programme management/support/communication functions to support this.

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.

IMServ's view is that independent programme management and party co-ordination is the preferable model. Using a party to manage the programme who is too heavily invested in the outcome from one delivery perspective runs the risk of poor programme decision-making to the detriment of the overall outcome.

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?

IMServ's view of the Impact Assessment is that it not particularly clear in some areas. There is a degree of vagueness around the impacts on central bodies such as the DCC, Elexon and Electralink, which we would not have expected at this stage. It is important that these central areas, where monopolies exist, are explicit in their assumptions and costs that are used to inform the business case. This is particularly important when the comparisons are made with the existing delivery arrangements (where the costs are known) and decisions are informed by these comparisons.

For example, it is difficult to see where the net cost savings come from in 3.54. There are additional costs associated with the DWG's preferred TOM in the transport, storage and processing of market-wide half-hourly data. IMServ are sceptical that these costs are lower than the costs of central support to the non-half-hourly arrangements, but without detailed publication of the expected and current costs and the assumptions that support them, we are unable to critique any further.