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By email only

14th September 2020

## OVO's response to 'Market-wide Half Hourly Settlement Draft Impact Assessment Consultation'

Dear Anna,

OVO continues to strongly support Market-wide Half Hourly Settlement (MHHS), and its implementation as soon as practicably possible. We consider MHHS to be an empowering change for customers, allowing them to make cost effective choices. Additionally, MHHS will benefit the electricity industry through improved efficiency of settlement and balancing, while also reducing operational burdens and overall costs to the system.

We agree that MHHS is a key enabler to:

- **Improve consumer experience** by enabling energy tariffs that are more cost reflective; and empower consumers to engage with the energy system via smart technology and products that add value beyond energy (including transport and affordability).
- **Maximise opportunities from Smart Meters** to expand the marketability of innovative products and services, improving consumer outcomes and boosting competition.
- **Realise a net zero carbon energy system at the lowest possible cost to consumers**

Following our review of the draft Impact Assessment, we think there are elements that require greater clarity and focus. We note from the consultation that Ofgem will be giving further consideration to these points. We have

summarised the key areas below. A detailed response is provided in the accompanying Annex.

- **Smart meter penetration** – the GB-wide take up of smart meters is essential to maximising the benefits of MHHS, and every step should be taken to optimise the success of the rollout. We believe that MHHS could be implemented with relaxed meter read performance and adjusted profiling to reflect the shortcomings of remaining heritage meters. This could then be updated in line with increases to the smart metering volumes of communicating meters.
- **Availability of HH data** – this will be important to maximising the balancing value. As the rollout begins to include the most reluctant and disengaged consumers the percentage of data sharing consents could drop and could undermine the benefits if further support is not forthcoming from Ofgem and BEIS. Clear, centralised consumer messaging is critical to inform consumers of their data sharing choices and to help them understand the concept of data access and privacy for the various regulatory purposes; e.g. Billing, GDPR, Settlement and Forecasting.
- **Programme Management** - extended implementation timescales represent little benefit for industry. However, we note that for two of the providers of central services there is a projection of two years to design, build and test the services. Given the dependencies on these to deliver MHHS, we consider that the Programme Management approach selected will be essential for a successful and timely implementation. There must be flexible governance and scrutiny of risk to ensure it strikes the right balance between minimising cost overheads, whilst providing confidence in delivery and speed to implementation.

Finally, with the impact that COVID-19 has had on expected deliverables from the MHHS design groups, we believe it is a matter of urgency to assess how these delays can be recovered. We would urge Ofgem, with ELEXON input, to re-plan and communicate this to industry to minimise the impact to the indicative programme timescales.

Should you have any questions or would like to discuss our response bilaterally please feel free to contact [policy@ovoenergy.com](mailto:policy@ovoenergy.com).

Tom Pakenham

Director of Sustainable Business and Communications

## Annex - Detailed response

### Target Operating Model

- 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.**

OVO agrees that the Target Operating Model is appropriate and that being agnostic of Market Role, Architecture and Data Design/Transfer mechanisms should support flexibility for the design phase.

- 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.**

OVO agrees with the preferred position that non-aggregated data is submitted to the central settlement services. Our view is that this will have efficiency and flexibility benefits for industry. This will also support future aggregation of data for different customer groups or settlement purposes.

We agree that this approach continues to provide opportunities for supplier agents to competitively offer 'Value-Added Services', by enabling access to the non-aggregated data.

However, centralisation means that it is critical that the systems and processes are designed to be secure, scalable and flexible.

### 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.**

In principle, OVO agrees with the shortened timescale. We believe that moving to a reduced timetable relies on several prerequisites, including a reliable retrieval for the settlement period level data, coverage over all segments to create the load shapes and a sufficient level of smart meter penetration across GB.

We consider that the BSC Performance Assurance Framework will need to assess the GB-wide coverage of communicating smart meters, and meter fault levels, to set an initial realistic performance target. We would urge Ofgem to consider the end state final timetable evaluated against the current AMR/Smart data to assess the projected performance.

Furthermore, ahead of implementing industry changes, the framework should include defined processes to re-evaluate performance targets based on actual settlement data.

**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.**

OVO agrees with the proposal as it will bring earlier certainty of the charges and means liabilities can be settled faster. We note however that this will be reliant upon the accuracy of the Load Shaping Service to accommodate estimating for non-Smart meters where actual reads have not been able to be obtained within 4 months.

As with the Initial Settlement Run (SF), there are dependencies on reliable retrieval for the settlement period level data, coverage over all segments to create and refine the load shapes and a sufficient level of smart meter penetration across GB with associated availability of HH data, for this to deliver the benefits.

**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.**

OVO agrees with this proposal and the proposed 'ratcheted materiality' for disputes between the RF and DF runs. This strikes an appropriate balance between providing enough time to allow material errors to be corrected and incentivising the prompt identification and resolution of errors.

We believe this should not have a significant impact on financial certainty although this will be dependent on the performance of the preceding settlements runs.

### **Export-related meter points**

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

OVO agrees that MHHS for export-related MPANs should be implemented at the same time as import. We note that the impacts on SEG/FiT tariffs will largely be felt as a result of a move to metered versus deemed, rather than a change to the settlement regime. However, we believe there will be benefits to the estimating factors/groups from receiving actual data.

It should be recognised by Ofgem that this will rely upon the correct set-up of export sites with trading MPANs, with a dependency on DNOs to create MPANs for these export sites on supplier request.

**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 believe that export-related MPANs could require a longer transition period as these sites move into Settlements and the actual data received then feeds into the Load Shaping Service.

Incentivising industry to progress faster by establishing trading export-related MPANs could reduce this risk. This approach would allow for sufficient actual data to enter settlement prior to the switching on of the Load Shaping Service. We note from Ofgem's indicative programme plan that this service will commence ahead of the migration phase of meter points to the new arrangements.

### **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.**

OVO believes that implementation of the new arrangements should be as soon as practicably possible.

In terms of the key deliverables we would like to highlight the following areas of concern:

- **Code and Governance Changes** – We are aware of the delays to the progress for the Architecture Working Group and Code Change Development Group, working on detailed design issues, due to COVID-19. The design recommendations are essential for Service Providers and Parties to commence the 3-year transition period. We would urge Ofgem to consider how this can be recovered to minimise the impact to the indicative project timescales.

We have significant concerns regarding the End to End operational processes for managing Smart meters in the new settlement regime. There must be industry engagement across Codes to determine what is needed to successfully complete activities such as Change of Supplier, Mode, Measurement Class and Agent. This is essential to ensure these industry interactions continue to work with no detriment to the customer.

- **BSC central systems and Registration changes** – We note that both DCC and ELEXON have indicated a two-year period for design, build and test to deliver the central services. Given the dependencies on these two providers, we believe the programme

management function should be independent to ensure prompt focus on the identification and resolution of issues.

- **Qualification of service providers** – We believe that further clarification and regular engagement to increase knowledge of the new arrangements with service providers would be beneficial. We note that the providers of the MHHS services could be new entrants, existing supplier agents or suppliers taking up the opportunity to directly manage the services.
- **Migration/adoption and parallel running** – Ofgem acknowledges in the consultation that the one-year timescale for this phase will be challenging. We would urge Ofgem to consider early engagement on developing the detail of this phase across industry to determine the approach and the governance required to achieve this. In particular, the interoperability where suppliers may be at different stages and industry interaction is required for Change of Supplier et al. The migration of all relevant meter points must be completed to enable industry to progress to the full TOM, cut over to the new settlement timetable and realise the projected benefits.
- **Migration to the full TOM and cutover to the new settlement timetable** – Setting a performance target that reflects the data available for GB-wide smart meter penetration and availability of HH data will be critical to ensure that industry can start to realise the benefits with no unintended consequences to settlement.

**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.**

OVO as a supplier has dependencies on the design recommendations from the Architecture Working Group and the Code Change Development Group. Given these are currently planned for delivery six months later than previously expected, it is key to have certainty of these recommendations as soon as possible to manage the required design, build and test phases economically and efficiently. This will support the required activities to meet the planned project milestones of transition and migration.

We urge Ofgem to consider how a phased approach could be taken to publishing the design documents and proposed code changes. We recommend that these documents are published when they are ready, rather than being issued to industry in one drop on a specific future date.

OVO welcomes the expected approach of migration and/or adoption to begin before the end of the implementation period if our systems, processes and

qualified parties are ready. This would enable the migration to commence up to a year ahead of the formal migration phase commencing and mitigates a degree of risk.

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

OVO believes that design work should not be impacted by remote engagement. We note that there has been a delay to the planned June 2020 consultation for the Code Change Development Group deliverables, as a result of earlier prioritisation due to COVID-19. We would welcome communication on when the consultation will be delivered to industry and the revised plans and timescales for the recommendations.

Projected delays to the Switching Programme and availability of industry resources, both central services and Party specific, risk delaying the key design material and therefore the Transition phase of the MHHS programme. We believe this would benefit from close monitoring by Ofgem, with clear mitigation actions, to ensure that progress on MHHS design is not impacted.

## **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.**

OVO strongly supports that data opt-out should be mitigated as much as possible, as this is a key sensitivity in the delivery of the benefits of MHHS. We note that Ofgem's decision letter on access to data confirmed that domestic customers would be able to opt-out of sharing their HH data for settlement and forecasting purposes. Therefore, we consider that daily granularity must be the minimum defaulted granularity. We believe this will be proportionate as there are existing provisions to allow collection of daily resolution data for certain regulated purposes.

We would welcome clarity on the integration of the proposed data sharing choices with the existing Data Access and Privacy Framework introduced by BEIS for the Smart Programme.

**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.**

OVO considers daily granularity to be the minimum defaulted granularity for settlement and forecasting data purposes. We believe this needs to be applied to all consumers with existing monthly data collection via smart

meters, thereby supporting the development of load shaping profiles and improving the accuracy of settlement and forecasting data.

We consider this will also have benefits for consumers as it supports a consistent approach and enables clear messaging in communications to explain their data sharing choices.

**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.**

OVO agrees that an independent, trusted, consumer advocacy body who supports the messaging for encouraging customers to share their data would be valuable. This provides consistency and can enable consumers to better understand the concept of settlement data and their data sharing choices for this purpose.

We do not have a strong preference for this being a dedicated website or webpage, if this is accessible, current in content and clearly signposted for suppliers and consumers to reference.

## Consumer Impacts

**Refer to Appendix for response to Question 14 – confidential OVO response**

**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.**

OVO agrees with the issues presented regarding the consumer impacts post-implementation of MHHS. The development of any future regulatory frameworks will need to be flexible enough and proportionate to adapt to changing consumer and market needs whilst continuing to provide consumer protections.

It is crucial that definitions of vulnerability are flexible enough to keep pace with the changes to the market as a result of MHHS. In particular, “historically vulnerable” consumers must not be locked out of accessing the opportunities of MHHS. Focus should be on enabling and supporting consumers to engage and benefit from the opportunities available, with robust fall-back mechanisms in place where this is not possible.



## Programme Management

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

OVO agrees that accountability for successful delivery of the programme objectives remains with the Ofgem SRO, and as the programme sponsor, Ofgem retains responsibility for ensuring that the consumer benefits of the programme are realised.

We agree with the proposed delivery functions identified by Ofgem and we believe this will provide the oversight, management and assurance required for such a wide-reaching programme.

### **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.**

OVO does not have a specific preference on the selection of an industry party however, given the scale and complexity of the programme, it would benefit from a specialist skill set in change management and delivery. We think that the roles suggested by Ofgem of an overall programme coordinator, system integrator and programme party coordinator would benefit from being independent to ensure integrity and non-bias in the delivery of the programme.

## 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?**

MHHS for domestic users is one of the key missing links to ensuring that the GB is on pace to meeting its 2050 net-zero carbon target. In order to keep pace with decarbonisation we need to maximize renewable generation and decarbonise the transport industry. There are many other steps that need to be taken as well, but to support renewable generation and decarbonisation of the transport industry OVO considers MHHS to be foundational.

Domestic users have the power to turn static demand into dynamic demand to allow renewable energy to be used when it's available or store it for when it is needed. For example, electric vehicles can either create new constraints on the system or they can be the most cost effective storage method to date. In order to begin to transition static demand into dynamic demand MHHS is needed to empower the domestic consumer with information and financial incentives to either shift demand to when the system is not constrained and/or shift demand to when renewable energy needs short term storage. MHHS represents the most significant opportunity for the energy transition to take a bold step toward achieving the U.K's 2050 net-zero target.