

## **Feedback Form**

### **Electricity retail market-wide half-hourly settlement: consultation**

Please send this form to [HalfHourlySettlement@ofgem.gov.uk](mailto: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:** ScottishPower

**Contact:** Richard Sweet

**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.

We agree that the move to Market Wide Half Hourly Settlement will deliver benefits to the industry and the end consumer and we broadly agree with the TOM. However, there is still a need for more granular detail which may result in a requirement to adapt the TOM in some areas. We would therefore want there to be a willingness to make reasonable changes when additional detail is made available and a clear process for how these proposed changes will be communicated, consulted on and the governance and controls that will be in place to implement the changes.

We would expect that the following will have the potential to impact the TOM:

- **Architecture Working Group and Code Change Development Group Detailed Designs** – The identification and development of solutions will depend on these and once available there may be areas of the TOM that require review and adaptation.
- **Covid-19 Impacts** – the delays that AWG and CCDG detailed design have seen along with the delays to Faster Switching and the SMART meter roll out which would need to be considered and the impacts that this will have on the TOM. Parallel running of these projects, specifically Faster Switching will limit the available resource and mean that some parties are unable to start their transition until later.
- **Smart Meter Roll Out Across Profile Types** – The percentage of smart meters across customer and profile types could have a detrimental impact on some suppliers who do not have a broad range of customers e.g. a supplier who has customers with more complex meter types, and therefore not a high percentage of communicating smart meters, will have a shorter time to settle and the risk that profiling is not accurate and the increased materiality criteria for a dispute could financially impact them. We therefore see a need for there to be defined criteria for go-live based on analysis of communicating smart meters across profile types and consideration given to the associated targets.
- **DCC Stability and Reliability** – We have concerns regarding the current stability of the DCC and would want to see what plans are in place to stabilise and what contingency plans have been made if the DCC ‘falls down’.

Industry Engagement – Once clear detail has been communicated, we see that there will be a need to engage with all parties and understand their proposed solution and ensure that this delivers the required result and meets the needs of the industry. We anticipate this resulting in a need to adapt elements of the solution and potentially alter timelines dependent on the feasibility of delivery across all parties. This level of support will need to be incorporated into the PMO resource plans and potentially the transition timelines.

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.

Yes, we agree that non-aggregated data should be sent to Central Systems.

Sending non-aggregated data to Central Systems will remove the Data Aggregation (DA) function which will remove a set of flows and therefore reduce the volume of exceptions. We see that this will deliver an efficiency in the industry.

## 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 agree that earlier granular detail is beneficial, however, there are several factors that we think need to be considered before arriving at a realistic timeline. At present we see a number of industry and internal processes needing to change which may pose a risk to implementation.

We agree that using earlier data will provide benefits to forecasting and profiling, will allow industry processes to be completed more efficiently, we may allow the collateral provided by suppliers to be reduced. However, these benefits needs to be balanced against implementation risks, and we see a need for the following to be considered when determining whether 5-7 working days is the most appropriate time period:

- **Benefits associated with SF at 5-7 working days through to 16 working days** – If the benefits are the same at a later point in time and the risk of processes ‘breaking’ is less then we think this should also be considered. We understand the need to set challenging and realistic timelines, however in the early stages we believe that more time should be allowed and then move to 5-7 working days once the processes have been embedded.
- **Impacted Processes across the Industry** – Changes will be needed to Group Correction, Distributor Billing, Credit Cover Arrangements and Supplier Charges. We see that these are significant changes which may outweigh the benefits. Therefore, as above we would want the move to these timescales to be staged and amended once processes are embedded and proven to be stable. We would also want the DCC costs to be clear ahead of the final decision as these could outweigh any cost benefits.  
As part of our RFI submission in 2019 to did not draw out the cost implications of making changes to our internal reporting. We can however explore this further and provide additional detail if required.
- **Challenges with II data** – We have seen several issues this year where the II data has not been available within the current timelines which has caused significant delays. Moving the SF run closer would give parties less time to resolve issues, which could allow errors to persist in Group Correction Factor calculations. How confident can we be that similar issues could be resolved by Elexon in a shorter SF period?
- **Targets** – There should be clear detail on targets which should be consulted on across the industry to ensure that they are realistic for all parties otherwise there is a risk that some parties will suffer. Whilst we understand that these will form part of the PAF review, the clarification of these will determine the extent to which we agree that 5-7 working days for SF is realistic and achievable.
- **DCC Reliability** – Stability of the DCC should be considered to ensure that the timeline realistically reflects the capability and that there are contingency plans in place to mitigate any risks.
- **Communication Challenges** – We see across the industry, challenges with the volume of meters that have communication issues and the timelines for resolution. Again, whilst we understand that these will form part of the PAF review, we would want to understand what these are and how realistic they are ahead of these changes being confirmed.

Whilst we believe that after a period of time 5-7 working days will be achievable, we think that there needs to be a staged approach and a gradual reduction from 16 working days to 5-7 which will take into account the reliability of processes.

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.

As detailed in question 3, we agree that the introduction of MHHS will provide earlier accurate data which in turn will allow the Final Reconciliation Run to take place earlier, however, we have reservations around how realistic and achievable 4 months is in the earlier stages. We see that this could be achieved in the long term as processes stabilise however, we do not agree that this is realistic in the early stages when MHHS migration completes. We perceive the following risks:

- **Volume of smart meters across the Industry and Customer/Profile type** – A lack of installed smart meters across both the industry and particularly in certain profiles will mean that accurate data will need to be physically recovered over a much shorter space of time. Dependent on portfolio composition, this could mean that some suppliers suffer as it will push more sites to Trading Disputes which may not be recoverable given the ratcheted materiality.
- **Communication Challenges** – We do not believe that in the early stages it is practical to resolve communication issues and obtain accurate data for all sites within 4 months. We currently see issues with HH sites whereby the dependency on other agents results in longer timelines to resolve issues, so the implication of a significantly increased number of meters needing to be fixed/replaced within a much shorter window may not be realistic. This will result in a greater number of sites needing a Trading Dispute which may not be recoverable given the ratcheted materiality.
- **Reluctance for Suppliers to take on certain Customer types** – Where there are customers who have no smart meter, a dumb meter or have communication issues, Suppliers may not focus on offering a wide range of attractive tariffs, this will result in a reduced choice in the market.
- **Lessons from P272**- We see a need to use the lessons learned from P272 to ensure that same issues are not repeated. We believe these issues were:
  - Settlement performance impacts as “good” MPANs go first
  - Customers “penalised” for having “wrong” meters – difficulty switching / higher tariffs
  - Clear on the process and volumes at market level, MPAS and supplier levels to minimise impacts on BAU processes – e.g. if a large SoLR requires a bulk change of supplier
  - Must be true HH – comms issues / commercial issues need to be resolved (including export MPANs)

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 agree that the DF run should allow parties time to identify errors and we believe the proposed 20 months to be realistic.

We anticipate that the difference in Final Settlement Run (RF) and the Post-Final Settlement Run (DF) could create challenges for smaller suppliers who have identified an error but need to wait 20 months before this is recoverable. We believe that consideration should be given to alternatives, such as a pre-DF run which would be allowed in defined circumstances to allow some settlement errors to be corrected at an earlier date.

Similarly, we believe that the rationale for the introduction of ratcheted materiality is reasonable, however, further detail is needed on the proposed solution. Further clarity is needed on how this would work, specifically whether sites would be grouped together by GSP or meter type and whether the materiality would depend on the timescale that the error occurred e.g. an error over a couple of days may be significant but if the same value was spread over 20 months, this may not be and therefore would not reach the required materiality.

## Export-related meter points

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

Yes, we agree that MHHS should be introduced for both import and export related MPANs and we agree that this will deliver significant benefits.



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.

No, we do not agree that the mandated transition to MHHS should be the same for import and export related MPANs. We have concerns that the progress being made by SEG may not be fast enough which will result in a greater volume of export meters not having an MPAN, this will therefore involve additional cost and time.

The SEG requirements are new to the industry and have been highlighting some fundamental issues that have led us to recommend that export MPANs are held back until the end of migration. The export only supplier is not the lead supplier for the metering. As such it can be very difficult to get the import MOP to provide the export MPAN when sending on the meter technical details. This ultimately means the readings cannot be received so cannot be used for settlements. We continue to work with other suppliers to resolve these issues.

We would therefore prefer that this was split into two stages and that Import MPANs (i.e. the vast majority) should be transitioned first, followed by Export MPANs when the solution is established and working

We appreciate that there is a benefit which could be realised through larger export sites and sites with HH export data available could be transitioned earlier, however, we have reservations about mandating all export sites to transition at the same time We would therefore support the same transition period on a voluntary basis but not mandatory.

## 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 that the transition period of 4 years is realistic and achievable, however, we think that there are several factors that need to be taken into consideration ahead of the final decision on the transition starting:

- **Need for more granular detail on the solution** – We would need to understand the AWG and CCDG detailed design ahead of the transition period beginning. There may also be an impact to the TOM which would need to go through a change process (as detailed in question 1).
- **Staged Transition across Industry** – The transition should be staged, and that Central Systems should start their transition earlier, this would allow for industry parties to adapt their solution as required and would mitigate parties working at risk which would drive up cost and timelines. We understand that the AWG detailed design will be available in April '21 ahead of the transition period starting but we would want to ensure that the full detail was available and communicated along with the baseline design well ahead of the final decision on the transition starting date.
- **Faster Switching Delays** – MHHS will have a dependency on some of the processes and resources that Faster Switching will introduce, therefore the projects should run concurrently. We have already seen delays to Faster Switching and so we would expect that the timelines for MHHS are continually reviewed and adapted accordingly. We see that both internally and across the industry there will be an overlap of resources, specifically IT and Project teams. We therefore do not see the feasibility of the projects running in parallel. We would support a review of the timeline at the point that Faster Switching has been implemented or entered a stable testing period, but this would be dependent on any challenges that were being seen by the Faster Switching Programme and the dependency that they have on resources.
- **DCC Reliability** – As detailed in previous questions, we do not believe that the current stability of the DCC will allow for MHHS to begin in 2021 and we would want to see further details on the plans to stabilise and also contingency plans if the DCC falls down.
- **Impacts on MPAS** – The impacts that this will have on MPAS will need to be considered, specifically the volume that will need to go through the Change of Measurement Class process. Evaluation will be needed on whether they can handle the volumes and when they will be in a position to fully manage these.

We appreciate that a migration period needs to be outlined and expectations need to be clear, however, we would want both the solution and the timescale to be kept alive with scope to be adapted as the programme progresses.

We would also think that the performance targets need to be reviewed in line with this as the initial migrations will be for 'easy sites' which will leave a portion of sites with possible issues to be migrated.

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 detailed in the response to question 8, we believe that the high-level timings are realistic. However, we think that the transition period needs to be staggered across different industry parties and that the start date should be carefully considered, taking into account: SMART meter roll out progress, Current DCC reliability, Faster Switching Delays and the impacts of Covid-19.

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

We believe that the ongoing Covid-19 pandemic will have several impacts on the proposed timescales for MHHS. There will also be impacts that as yet are unknown, so there will be a need to continually evaluate the plan and make necessary allowances where required.

We anticipate some of the main impacts being:

- **Smart meter roll out** – The smart meter roll out has been delayed during the lockdown and will continue to see delays related to the re-deployment of the workforce, restrictions on access, increased safety measures which will increase the time taken for each install. There is also the possibility that there will be a change in customer behaviours and less willingness to have a smart meter. These delays will increase the volume of dumb meters which will add pressure when settling within the reduced timescales and will reduce the level of benefit.
- **Faster Switching** – This has already seen delays in the delivery. A MHHS will require the same supplier resources and will utilise some of the processes that are instructed by Faster Switching, this will have an impact on when the MHHS transition can start.
- **Delays to AWG and CCDG detailed designs** – The detailed designs required from these groups to enable solutions to be built have been delayed due to Covid-19. Without these designs parties will be unable to define their solution.

## 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.

Yes, we believe that a legal obligation to collect daily data where HH is not available is proportionate. Whilst we think that the collection of HH data should be mandated, we understand from decisions made in 2018 that this is not possible and so collection of daily data is the next best option. However, this would mean that ToU tariffs for daily consent customers would not be possible and therefore could impact the overall net-zero ambition as we will only be able to offer these where we have half-hourly data.

We have concerns that the messaging to customers could be challenging and if the message across the industry is not consistent there is a risk that there is an impact on consumer confidence.

By mandating daily read collection and providing a supporting message through Ofgem and Citizens Advice websites, this will enable suppliers to give an industry consistent message and ensure that where a functioning smart meter is installed, this provides the required level of data to support the aim of MHHS.

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.

We agree that, as a minimum the collection of data should be daily in order to support the aims of MHHS and provide more detailed data into settlement.

We see that this has the potential to be a complex message for customers and there is a risk that if this is not communicated consistently across the industry this could impact consumer confidence.

We therefore think that there needs to be a central body which hosts a webpage with the details of why this is being requested and what the benefits are. We suggest Ofgem and Citizens Advice could perform this role, which would give suppliers a trusted source to point customers to and will mitigate the risk of different parties having slightly different messages. We believe that with the support of a central message from Ofgem and Citizens Advice, this section of customers could be targeted to agree the change in read frequency more easily. We also think that this message should strongly promote the collection of half-hourly data as it will enable ToU tariffs which will prove fundamental to meeting net-zero ambitions.

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.

As per our response to questions 11 and 12, we believe that there should a central message provided by both Ofgem and Citizens Advice which suppliers can then direct consumers to where they have questions or concerns. This should give details of the reasons for the data requests and the benefits that it will deliver.

## Consumer impacts

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

We have no additional evidence that would help refine the load shifting assumptions that have been made in the Impact Assessment.



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 agree that there will be long term benefits to consumers through the introduction of market wide half hourly settlement. However, we have some concerns in the short term and believe that these can be mitigated through consideration of implementation timelines and the robustness of processes along with clear communication throughout and when implementation is complete.

The challenges that we see in the short term are:

- **Stability of industry processes** – If processes are not robust there is a potential that these will create increased costs which would be passed to consumers e.g. Increases in Group Correction Factor due to a lack of accurate data. This may be a result of DCC issues, and a lack of meters able to communicate half-hourly data.
- **Lack of clear communication** – This has the ability to impact a number of things, specifically the lack of communication to customers around the intentions and rationale for requesting half hourly data may mean that they do not agree to this level of data which will subsequently affect their ability to get ToU tariff options.

## Programme management

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

We agree that the right delivery functions have been identified to implement MHHS and understand the need for Ofgem to play a role in the oversight to ensure that the delivery is in line with expected timelines. We would therefore stress that whichever party is managing the implementation needs to have clear objectives beyond settlements which will ensure that the delivery of each parties solution does not have a detrimental impact on other areas.

In terms of capability to deliver the role, we believe that Elexon have the expertise needed to ensure the effective and efficient delivery and would support their appointment in the roles of PMO, SI and PPC. We would however want to see clear roles and responsibilities and resource plans that would not just deliver MHHS implementation but also ensure that BAU activity was not compromised.

An overview of the programme and the delivery along with the roles and responsibilities of the PMO, SI and PPC would be beneficial in ensuring that all areas of the implementation have the best expertise aligned to them and would also provide an understanding of the costs and their allocation.

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 agree that the right delivery functions have been identified to implement MHHS and as detailed in our response to question 16 we think that there needs to be a clear and transparent communication of the funding that is proposed which should be consulted on. We understand the rationale for funding being by BSC parties but would want the costs and forecasts to be clear from the outset with a clear process for how changes to the budget are communicated and consulted on and the timescales that are involved.

The parties that take on the deliver function roles will need to have clear objectives and will need to ensure that they have the necessary resources to deliver without impacting on BAU activity. As detailed in our response to question 16, we believe that Elexon have the level of expertise required to deliver the roles of PMO, SI and PPC but would need to provide assurance that resources would be adequate to deliver MHHS without hindering BAU.

## 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 believe that the Impact Assessment has taken into account the factors that should be considered in the move to Market Wide Half Hourly Settlement and in the main we agree with the TOM and the plans to move to MHHS.

We do have some concerns which we have raised throughout the response, in summary:

- **Transition Timetable** – We agree with the 4-year timescale but believe that there are dependencies on: DCC being stable and reliably coping with the data, smart meter roll-out complete (or at a significant percentage meters fitted and communicating) and Faster Switching Project fully rolled out.
- **Settlement Timetable** - We agree in the long term with the timelines; however, we do not believe these to be achievable at implementation. We recommend a gradual and staged reduction over time, dependant on stability of processes across the industry. We also welcome further analysis on the disputes process as there is a need for more granular detail, specifically the ratcheted materiality and the potential impact on small or niche suppliers. We suggest consideration be given to an interim dispute run to prevent large errors being unrecoverable for a period of time.
- **Export Related MPANs** - We agree the move to MHHS is beneficial for Export related MPANs but have reservations about these moving at the same time given the challenges with the Smart Export Guarantee. We therefore propose import moves first and that Export is not mandated until import is stabilised.
- **Data Access Framework** – We recognise mandating the collection of HH data from customers would be the most efficient way of delivering the full benefits, we understand that Ofgem will not do this and therefore we support the suggestion that daily collection to be mandated. We strongly believe there is a need for Ofgem and Citizens Advice to provide a central message to support the customer messaging and promote the full benefits of HH data.