

Half hourly settlement update



Dear stakeholder

Now that the publication and communication restrictions that were in place during the election period are over and we have launched our Significant Code Review, we are able to resume regular updates, and meetings.

Thank you for your feedback on the first edition of the update. We received a lot of interest in the teleconferences and we will be having the first one on Thursday 3 August. Regular teleconferences will also commence once the Design Working Group for the Target Operating Model starts. We were also asked about the schedule for these email updates, we plan to send them out as regularly as we need to but not on a particular fixed schedule.

Our website where you can find key information, documents and presentations is here:
<https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement>

Mandatory HHS – the long term goal to settle all electricity consumers based on their actual half-hourly data

Significant Code Review (SCR)

Since the last update, we have been preparing to launch the SCR. This has involved revisiting the timelines we had in the planning consultation based on your feedback. Today we have published a Launch Statement which sets out the revised scope and timelines for the SCR following the planning consultation, with a summary of the consultation feedback attached as an appendix. It also sets out our intended approach to the SCR and our proposed model for the Design Working Group and the Design Advisory Board to develop the Target Operating Model (TOM).

The SCR Launch Statement is on our website [here](#). We're asking for your views on our proposed option for undertaking the SCR and on the governance that sits behind the development of the TOM. Broadly, the proposed governance arrangements for the development of the TOM are:

- An Elexon led Design Working Group (DWG) to develop TOM Design Recommendations to Ofgem for decision.
- A Design Advisory Board (DAB) chaired by Ofgem to assess DWG TOM Design Recommendations and provide strategic advice to Ofgem. And;
- Ofgem retains all decision-making on all aspects of TOM design.

We welcome your views on these areas by completing the feedback form attached as a subsidiary document to the Launch Statement and sending this to halfhourlysettlement@ofgem.gov.uk by 1 September 2017.

We're also inviting applications from stakeholders interested in sitting on the DWG. Information on the skills and experience we are looking for from members is in Appendix 2 published alongside the SCR Launch Statement. We ask interested stakeholders to send your CV and a supporting statement to halfhourlysettlement@ofgem.gov.uk by 1 September 2017.

Ofgem will invite stakeholders to sit on the DAB and ensure that there is appropriate representation.

We plan to hold a teleconference on Thursday 3 August to discuss the SCR and RFI. We will send out another email confirming timing and dial in details to those who have registered for the teleconference.

Target Operating Model (TOM)

The TOM will set out the changes to the existing settlement arrangements and supporting institutions to deliver mandatory HHS. We propose to develop these changes as part of the SCR process. More details on the TOM design work are in the SCR launch statement. The final design of the TOM will be consistent with Ofgem policy decisions on data privacy and arrangements for supplier agents. These policy decisions will be made separate to the design of the TOM.

We also plan to hold monthly conference calls with stakeholders during the design work for the Target Operating Model for mandatory HHS, which will commence around September. If you have not already done so and would like to register your interest in participating in future conference calls please email halfhourlysettlement@ofgem.gov.uk

Business Case and Impact Assessment

Work has started on the Impact Assessment, as part of the wider Business Case. We are planning to issue a voluntary Request for Information (RFI) to inform the development of this shortly. This RFI will be sent to a wide cross-section of stakeholders and is intended to gather initial information on the potential impacts of settlement reform, the costs that stakeholders may face as a direct consequence of changes to settlement rules and what is driving those costs. There will be an opportunity to discuss the RFI in a teleconference before the RFI is issued, and the questions will also be shared in advance.

This RFI represents the beginning of an ongoing evidence gathering exercise to support the development of the Business Case. We are always happy to receive materials from stakeholders which might assist us, or to discuss with stakeholders who have an interest.

Central agent question

As part of our initial evidence gathering on whether or not to centralise the functions currently performed by supplier agents, we plan to issue a voluntary RFI to supplier agents in relation to a number of specific areas. We will share this request with suppliers, and would welcome any input from them. We will also seek views in bilateral discussions with interested stakeholders.

Consumer issues

We have published the work we commissioned on the distributional effects of time of use tariffs alongside the SCR launch. The document is on our website [here](#).

We are currently considering the potential impacts on consumers of mandatory HHS, including the implications of smart tariffs. We are open to views and are interested in any relevant evidence you may be aware of on this topic. If you would like to get in touch on consumer issues please email halfhourlysettlement@ofgem.gov.uk

Looking ahead

First teleconference, 3 August

Business Case and Impact Assessment RFI, August - September.

Deadline for responding to the SCR launch and applying to sit on the TOM Design Working Group, 1 September.

Key links

SCR launch statement <https://www.ofgem.gov.uk/publications-and-updates/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group>

Distributional analysis <https://www.ofgem.gov.uk/publications-and-updates/distributional-impacts-time-use-tariffs>

Consultation <https://www.ofgem.gov.uk/publications-and-updates/consultation-mandatory-half-hourly-settlement-aims-and-timetable-reform>

Workshop <https://www.ofgem.gov.uk/publications-and-updates/mandatory-hhs-workshop-summary-note-and-slides-19-january-2017>

P272 and P322 – Mandatory HHS for profile classes 5-8

The deadline for suppliers to implement P272 passed on 1 April 2017.

ELEXON has published data on industry performance with the migration of sites to half-hourly settlement on 1 April 2017. The headline industry completion rate at the deadline was 97.56%; a link to ELEXON's report is available below.

Ofgem will be attending future meetings of the Performance Assurance Board that focus on non-compliance with P272.

Key links

ELEXON report on industry performance for P272 https://www.elexon.co.uk/wp-content/uploads/2016/10/02_PAB197_05a-Public-SMU-V2.pdf

[Open letter on the migration of consumers in profile classes 5-8 to half hourly settlement under P272 and P322](#)

[Second open letter on migration of consumers in profile classes 5-8 to half hourly settlement under P272](#)

Elective HHS – removing barriers for suppliers to choose to HHS from 2017

On 29 June the final three code modifications were implemented to address the barriers to elective HHS.

We continue to speak to suppliers who are interested in elective HHS. If you are considering taking up elective HHS and have not already been in contact, please email martin.bell@ofgem.gov.uk to arrange a meeting.

Key links

<https://www.ofgem.gov.uk/publications-and-updates/elective-half-hourly-settlement-conclusions-paper>

<https://www.ofgem.gov.uk/publications-and-updates/elective-hhs-tracker>

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Warm regards,
Anna Stacey on behalf of the Settlement Reform Team