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Dear Anna,

Access to electricity half hourly data for the purposes of settlement

Thank you for the opportunity to respond to this consultation. ScottishPower supports the reforms to introduce mandatory half hourly settlement (HHS) in electricity as an important step towards improving competition and innovation in the energy retail market and delivering the full benefits of smart metering to consumers. Indeed, we note that Ofgem's recently published outline business case estimates the consumer benefits of HHS at £1.8bn to £5.4bn.

We welcome the thrust of Ofgem's proposed amendments to the data access and privacy framework for the purposes of settlement. Our answers to the consultation questions are in Annex 1 to this letter and we would highlight the following points for consideration:

<u>Access to domestic HH consumption data</u>

We agree that opt out consent will be an improvement compared to the present opt-in consent. However we believe the likely opt-out rates could still be significant, potentially undermining the effectiveness and benefits of HHS. In our response to Ofgem's November 2017 voluntary information request, we noted that of our customers with a smart meter, [✂]% had chosen to opt out of allowing access to their daily data. As of the end of July 2018, the opt-out rate has declined only slightly to [✂]%. We believe that opt-out rates for access to HH data for settlement purposes could be higher, especially given that consumers will regard HH data as more personal than daily data, and given the challenges faced by suppliers in explaining settlement to their customers. Such opt-out rates will in our view materially reduce the level of consumer benefits HHS could deliver, and we would therefore continue to support mandatory access to domestic HH consumption data for the purposes of settlement.

We recognise that the mandatory option removes the element of customer choice regarding access to their personal data and therefore we would propose that Ofgem further explore the feasibility of a pseudonymisation or hidden identity option to be implemented for all customers under a mandatory access approach. We believe a pseudonymisation service (PS) where MPANs are swapped for neutral identifiers would be cost effective to implement, and therefore mandatory access in conjunction with pseudonymisation would be the most effective and proportionate approach to data privacy and HHS.

Access to domestic HH export data

While we acknowledge that domestic export data is still personal data, we agree with Ofgem's assessment that it is less sensitive than consumption data. Therefore, given the increasing materiality of the financial impact that smearing export volumes across all suppliers is having (via the GSP Group correction factor), we believe it is important that all HH export data goes into settlement. We further think Ofgem and the industry should take this opportunity to include HH export data within the DAPF, with mandatory access for the purposes of settlement.

Customers with existing smart meters

We disagree with Ofgem's proposal that domestic and microbusiness consumers who already have a smart meter would remain subject to opt-in consent for their HH data to be used in settlement, until the point at which they decide to change electricity contract. We think this will unnecessarily constrain suppliers' ability to use HH data for settlement (to the benefit of consumers as a whole) in a way that is disproportionate to the individual consumer privacy benefits.

Should you wish to discuss any of these points further, please do not hesitate to contact me.

Yours sincerely,

Richard Sweet
Head of Regulatory Policy

Annex 1

ACCESS TO ELECTRICITY HALF HOURLY DATA FOR SETTLEMENT PURPOSES - SCOTTISHPOWER RESPONSE

Chapter 3: Options on access to data for settlement

Question 1: What are your views on Ofgem's assessment of the implications of the options we have set out for access to HH electricity consumption data for settlement?

We consider Ofgem's assessment of the options for data access has underestimated the likely opt-out rate were the consent option to be chosen. We believe there is a considerable risk that a significant proportion of customers will opt-out of allowing access to their HH data for settlement.

In our response to Ofgem's November 2017 voluntary information request, we noted that of our customers with a smart meter, [✂]% had chosen to opt out of allowing access to their daily data. As of the end of July 2018, the opt-out rate has only slightly declined to [✂]%. With over 1 million smart meters installed, we think the opt-out rate for daily data from our customers is fairly reliable and likely to be representative of the wider population. We think customers will regard their HH data as more personal than daily data and will therefore be more reluctant to allow access to it. We therefore expect a higher opt-out rate for HH data than we have observed for daily data.

We note the findings from Ofgem's consumer panel and survey that customers are much more willing to allow access to HH data for settlement, but this occurs in a context where settlement has been explained and distinguished from other processes such as marketing and billing. However suppliers will have more limited scope for communication with customers at the time of seeking access to their customers' HH data. In this context we believe it less likely that customers will understand that opt-out access to their HH data is only for the purposes of settlement, and many will not have sufficient information to understand what settlement means. We therefore remain of the view that opt-out rates for access to HH data for settlement will be significant enough to materially reduce the benefits of mandatory HHS.

Question 2: Do you agree with Ofgem's current view that the best balance could be achieved by a legal obligation to process HH electricity consumption data for settlement provided the consumer has not opted out, and if so, why? If you have a different view, please explain which option you would prefer and the reasons for this.

We welcome Ofgem's recognition that the opt-in consent for domestic customers to allow access to their HH data is unlikely to lead to sufficient numbers of customers allowing their data to enter HHS. We understand Ofgem's rationale that moving to opt-out consent will increase the number of customers who are subject to HHS while still having a choice over access to their data. However, as explained in response to Question 1, we don't believe this assessment has fully factored in the likely significant opt-out rates, assuming similar customer preferences as for daily data. We therefore believe access to domestic customer HH data should be on a mandatory basis for the purposes of settlement.

That said, we recognise that, as highlighted in the consultation, there will be a proportion of consumers that have concerns about allowing their HH data to be used in settlement. We therefore think Ofgem should explore the option of mandatory access to HH data for settlement coupled with pseudonymisation/hidden identity. We consider that the hidden identity approach will mitigate the privacy risks and concerns from customers regarding

access to their HH data. We are not convinced that customers who are concerned about access to their data for settlement could refuse to accept a smart meter but in any event we believe pseudonymisation would mitigate this risk.

As we explain in our responses to Questions 4 to 6, we think the pseudonymisation service (PS) as proposed in the Baringa report should prove fairly straightforward and cost-effective to implement. Therefore we believe an approach of mandatory access to domestic customer HH data coupled with a PS will deliver material net benefits to customers whilst minimising privacy risks. In comparison, we believe opt-out consent has a significant risk of material opt-out rates and loss of consumer benefit associated with HHS and wider factors.

Question 3: There is a risk that consumers who use particularly high volumes of electricity at peak could choose not to be HH settled and therefore disproportionately increase energy system costs, which would then be shared by all consumers. Do you have any views on whether or how we should address this issue?

We agree that this is a risk. Our preferred approach of mandatory access to HH data for settlement purposes, coupled with a PS, would eliminate this risk.

Chapter 4: Enhanced privacy

Question 4: What are your views on the potential enhanced privacy options?

We agree with Ofgem's assessment that the anonymised data option is likely to be disproportionate in cost relative to the potential benefits; and, strictly speaking, it is not an anonymisation approach given that data is not anonymised at source.

We think the pseudonymisation or "hidden identity" should be fairly straightforward to design, implement and operate as a third party service. As conceived in the Baringa report, the pseudonymisation service (PS) would be a centralised data retriever extracting meter reads from the DCC, then swapping the MPANs for a neutral identification key and finally submitting pseudonymised data to the relevant HHS data processors. If the PS were to be adopted in conjunction with the option to mandate supplier access to HH data, we are confident the costs of implementing and operating the PS will be substantially offset by the benefits of eliminating the likely significant proportion of consumers exercising opt-out consent.

Question 5: If we decided to further consider the hidden identity option, do you think data from all consumers should be pseudonymised or only data from consumers who have not chosen to share their HH data for settlement?

Our initial view is that it would be easier to implement a hidden identity approach for all customers in particular as we agree with the Baringa assessment that the PS would be most effective as the central data retriever for all meter reads for settlement. The alternative would be to manage the two separate cohorts of customers, those choosing to opt out (and subject to pseudonymisation) and those not opting out, and transfers between the two; but this is likely to complicate the submission of data into settlement, with associated impacts on data integrity.

Question 6: Please provide any information you can about the likely costs and benefits of these options.

We understand Ofgem will want to be convinced of the net benefits of pursuing the "hidden identity" approach. We would recommend Baringa are commissioned to build on their

assessment of enhanced privacy options by undertaking a cost benefit analysis of the hidden identity or PS approach (with mandated access to HH data for settlement) versus opt-out consent. Such analysis should consider varying proportions of consumer opt-out and the associated lost benefits of HHS and related behaviour, eg load shifting. We would expect this analysis to be consistent with Ofgem's recently published outline business case[1] which quantified the benefits of settlement reform in the range £1.8bn to £5.4bn. We believe the costs of implementing the hidden identity approach alongside mandatory access to HH data for settlement will be shown to be net positive against a counterfactual of an opt-out consent regime down to very low rates of opt-out. As such, we believe the hidden identity approach, ie a PS, should be included as part of all the HHS TOMs as a "least regrets" investment.

As mentioned in our response to Question 5, we think the hidden identity or PS as conceived in the Baringa report should be relatively straightforward and cost-effective to implement and operate. We believe it should be relatively easy to quantify the likely costs associated with the hidden identity service with input from Elexon and the DCC.

We would suggest that any assessment of the hidden identity or pseudonymisation option should also consider the costs of a solution that could applied to microbusiness and export HH data. If it is shown that increasing the scope of the PS to cover these additional data items would have net benefits, eg improved data integrity due to all HH data going through the same system, we would support expanding the PS to apply to all domestic and non-domestic, consumption and export HH data.

Chapter 5: Microbusinesses

Question 7: Do you think that there should be a legal obligation to process HH data from all smart and advance metered microbusiness customers for settlement purposes only? If you disagree, please explain why.

We agree with Ofgem that HH consumption data is unlikely to be sensitive for microbusinesses and mandatory access to such data for settlement is therefore fairly low risk.

Question 8: Are there any issues relating to access to data from microbusinesses that you think Ofgem should be aware of?

We have not identified anything in addition to the issues discussed in the consultation.

Chapter 6: Customers with existing smart or advanced meters

Question 9: We propose that domestic and microbusiness consumers retain the level of control over sharing their HH electricity consumption data that was communicated to them at the point at which they accepted a smart or advanced meter, until the point at which the consumer decides to change electricity contract. Do you agree this is the best approach?

No, we are concerned that Ofgem's proposed approach will unnecessarily constrain suppliers' ability to use HH data for settlement in a way that is disproportionate to the consumer privacy benefits. A substantial proportion of customers with smart meters are likely to have remained on the same electricity contract since their meter was installed, and

[1] www.ofgem.gov.uk/system/files/docs/2018/08/marketwide_settlement_reform_outline_business_case.pdf

may remain so for years to come. Around 30% of GB customers have been on SVTs for at least three years, and although initiatives such as faster switching should improve switching rates in the longer term, the introduction of the default tariff cap can be expected to increase the proportion of customers who are happy to remain on SVT (or other default tariffs) while the cap is in force.

Even if Ofgem's proposed amendments to the DAPF were implemented with immediate effect, this would leave the present one third of GB households with installed smart meters subject to the opt-in consent regime until they changed contract. Based on the statistics above, some 30% of these (10% of customers overall) might be expected remain on the same contract for years to come, and therefore remain subject to the opt-in regime. This seems an unnecessary restriction on suppliers' ability to use HHS, given that the majority of these customers would likely be willing for their data to be used in this way. (The fact that they are willing for their data to be used in this way does not necessarily mean that they would opt in.). By the time that an amended DAPF comes into effect it is likely that over half of households will have a smart meter installed, implying an even greater lost opportunity.

Were the revised DAPF to be applied to smart meters which had already been installed, suppliers would be obliged under current rules to inform customers with a smart meter of the DAPF changes, as this would represent a unilateral variation to the customer's terms and conditions. In this context, we consider applying the revised DAPF to current and future smart meter customers, together with mandatory access to HH data for settlement with pseudonymisation (as we have argued for in Question 2 above), would be a proportionate and balanced approach to maximise consumer benefits of HHS while minimising customer privacy risk.

If instead Ofgem were to retain its minded-to position to adopt opt-out consent for access to HH data for settlement, there would be even less need to retain an opt-in regime for customers who already have smart meters. If any such customers are unhappy about the use of HH data for settlement they could simply exercise their choice by opting out.

Chapter 7: Access to data for forecasting

Question 10: What are your views on Ofgem's proposal to make aggregated HH electricity consumption data broken down by supplier, GSP group, and metering system categorisation available for forecasting?

We welcome Ofgem's recognition that suppliers will require access to HH data in order to be able to forecast the likely imbalance risk associated with HHS. While such forecasting is not strictly part of the settlement process, it is inextricably linked and does not provide suppliers with other unrelated commercial benefits. As such, we agree with Ofgem that forecasting should be included within the scope of the DAPF.

Broadly, we agree that the levels of (dis)aggregation of HH data proposed will be sufficient for most forecasting purposes. That said, wherever possible obtaining more granular data would improve the accuracy of forecasting even further, to the benefit of customers. We do recognise some of the associated privacy concerns raised but we consider the associated risk is minimal.

Question 11: Is there any additional data beyond this aggregated data that you consider suppliers will need for forecasting?

We recommend that suppliers will require access to some individual customer data to validate consumption profiles. Were Ofgem to pursue the option of mandatory access to HH

data with pseudonymisation, suppliers could also access individual customer pseudonymised HH data for forecasting, mitigating any privacy risks.

Chapter 8: Access to HH export data for settlement of export

Question 12: Our analysis suggests that HH export data reveals less about a consumer and is therefore likely to be of less concern to consumers than HH electricity consumption data. Do you agree?

Yes we agree that consumers' export data is likely to be less sensitive than their consumption data, as export data is likely to provide less insight and information into a consumer's personal preferences and behaviours.

Question 13: Do you consider that any additional regulatory clarity may be needed with respect to the legal basis for processing HH export data from smart and advanced meters for settlement?

The current volume of electricity export from domestic consumers already has a material commercial impact on suppliers through the Grid Supply Point (GSP) Group correction factor. The application of the correction factor involves smearing of all export volumes through a given GSP Group across all suppliers with SVA customers in that GSP Group. HHS of export data would attribute export volumes directly to the relevant supplier and remove any distortion to competition created by the current smearing approach. In aggregate, the financial net benefit of introducing HH export data into settlement is likely to be material for the industry. On the other hand, as Ofgem considers that export can be considered personal data, there may be some ambiguity regarding the ability of suppliers to access export data for the purposes of settlement.

We believe Ofgem and the industry should take the opportunity to remove any ambiguity regarding suppliers' ability to access export HH data for settlement. Specifically, we believe the DAPF should be amended to set out that suppliers' access to HH export data is mandatory for the purposes settlement and associated forecasting.

Chapter 9: Data Protection Impact Assessment

Question 14: Do you have any thoughts on the monitoring/auditing environment for the use of HH data for settlement purposes?

Given Ofgem's proposals in Chapter 6, there will be two cohorts of customers, those already with a smart meter under the current DAPF and customers subject to the revised DAPF. Ofgem will need to give some thought as to how it wishes suppliers to report around these two customer cohorts, in particular, customers transferring into the revised DAPF regime. Suppliers will need to ensure they are able to track customers' movements between the different access options on their systems.

Question 15: Do you have any additional thoughts or questions about the content of the DPIA?

We have no substantive comments on the content of Ofgem's draft DPIA and we broadly agree with Ofgem's risk assessment.

ScottishPower
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