



Making a positive difference  
for energy consumers

## **Feedback Form**

Once completed, please send this form to  
[HalfHourlySettlement@ofgem.gov.uk](mailto:HalfHourlySettlement@ofgem.gov.uk) by 17 October 2018.

**Organisation: ELEXON**

**Contact: Justin Andrews, Head of Design Authority, 07918 767 302  
or [justin.andrews@elexon.co.uk](mailto:justin.andrews@elexon.co.uk)**

**Is your feedback confidential?                      YES                         NO**

**Unless you mark your response confidential, we will publish it on our website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk), and put it in our library. You can ask us to keep your response confidential, and we will respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.**

**If the information you give in your response contains personal data under General Data Protection Regulation (EU) 2016/679 and Data Protection Act 2018, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.**

## Q1.

### What are your views on the potential costs and benefits of half-hourly settlement of export? What are the risks and opportunities?

1. Do you agree with the scope of the costs and benefits of half-hourly export settlement that we have outlined? Are there any costs or benefits that we might have overlooked?
2. What are the impacts for your organisation of implementing market-wide half-hourly export settlement?
3. What are the impacts for consumers of implementing market-wide half-hourly export settlement?
4. What are the impacts for small scale generators of implementing market-wide half-hourly export settlement?

1. ELEXON believe that the benefits are outlined are correct. Without the Settlement of half-hourly export the full benefits of small scale export cannot be realised. Most small scale generation export is currently inflexible as it is linked to when the sun shines (for photo-voltaic) or when the wind blows for (small scale wind turbines). However, in the future these may be paired with small scale storage devices, e.g. standalone batteries or electric vehicles. This will allow renewable energy to be stored and discharged at times beneficial to the customer, range of market participants of the electricity networks. Without half-hourly export settlement the Supplier cannot offer flexible export tariffs to the customer to realise the value of the exported energy.
2. In designing the Target Operating Models (TOMs) for Market-wide Half-Hourly Settlement (MHHS), ELEXON and the Design Working Group have ensured that the processing of export data for Settlement mirrors the processes for import meter data. As such, there is no additional impact on the TOMs or BSC central settlement systems for implementing the settlement of export.
3. Consumers should benefit as a whole due to the more accurate allocation of energy for Settlement. Currently export spill (due to export settlement being elective) causes uncertainty for Suppliers in forecasting their imbalance energy volumes and therefore exposure to imbalance prices and subsequent payments. The export spill also impacts Grid Supply Point Group Correction which also causes uncertainty for Suppliers. Suppliers are likely to hedge against these risks and these costs will ultimately be priced into consumer offerings. We have modelled the impact of spill on settlement accuracy as part our settlement improvement work of the Profiling Settlement Review Group and Settlement Review Advisory Group, see [SRAG export spill](#). We have recently updated this analysis (and supporting model) and reported this at your Ofgem lead Design Advisory Board meeting on 25 September 2018. If you would like to go through please contact us.
4. Small scale generators will benefit in the long term from the Settlement of export. Current subsidies provided under the FiTs scheme are time-limited and new small scale generation customers are not likely to receive the same level of benefit under successor schemes. There may be additional standing charges for provision of the export Metering Point Administrations Number (MPAN) and data collection costs via the Data and Communications Company (DCC). However, this is not a thought to be a significant compared to the future value of the export.

## Q2.

### **Have we identified the right commercial drivers in the commercial case? How can we look to either capitalise on the positive impacts of these drivers or mitigate any negative impacts?**

ELEXON believe Ofgem have identified the correct commercial drivers for MHHS. The ELEXON and Design Working Group approach for the Target Operating Models for MHHS have three main goals; making settlement simpler, more accurate and enabling the benefits of innovation to be realised by the end customer.

The simplification of settlement processes will encourage new entrants and innovators into the market. There will be one standard process for settling customers and it will remove the current process of switching between non half hourly and half hourly approaches.

The proposed shorter settlement timescales in the TOM design work (both first financial settlement run and final reconciliation run) are also likely to benefit market participants. It will provide them with more certainty about their exposure to final Settlement costs.

Furthermore other positive impacts are:

1. cost savings of not having to support the current and complex non-half hourly processes is a key driver; and
2. the existing arrangements would also be significantly less accurate in the future as the profiling processes cannot model the more dynamic nature of demand (import) and generation (export) on the networks.

We do not believe that existing participants will actively seek to keep customers disengaged or they will either face regulation measures or will lose those customers to more pro-active suppliers. However, we believe if there were a lack of a coordinated approach to transition this could delay implementation of MHHS.

The significant volume of current changes in the market and the dependency on the smart Meter roll out could also delay realisation of the benefits of MHHS. System development costs may also be significant for larger participants.

We believe that MHHS will allow for new business models such as bundled energy services to develop in the future as a simpler, faster and more efficient Settlement design and system is realised. ELEXON and the DWG are ensuring that the TOM design will promote innovation and flexibility offerings in the future.