

Feedback Form

Once completed, please send this form to
HalfHourlySettlement@ofgem.gov.uk by 17 October 2018.

Organisation: Electricity North West Limited

Contact: Bryan Heap (bryan.heap@enwl.co.uk)

Is your feedback confidential?

YES

NO

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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. 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?

We agree with the areas highlighted for potential benefits and costs identified in the outline business case. We note a number of additional areas for consideration:

- We are, as a distribution business conscious of the impact export has on the networks, especially where clusters of generation occur. With the availability of half-hourly export data from customers we can have a better understanding of the domestic, industrial and commercial component of electricity demand (i.e. each component is forecasted independently) which will improve our investment decision making in terms of the appropriateness of an asset-based or commercial solution. This information (irrespective of if it is used for settlement purposes), providing it is of sufficient data quality, is therefore useful to help us make efficient investment decisions for customers, especially if there are significant increases in generation/storage as the technologies become more affordable.
- We also note that it is important to recognise how the commercial signals offered by suppliers will impact upon the peak demand on the network. Understanding how the behaviours of customers change (especially relating to export) will help us assess the associated effects on forecasts of peak demand (MVA) and ratings of assets (e.g. whether continuous loading occurs that reduces network capacity). This will help to inform and optimise our load related reinforcement programme.
- Using the available HH export data, we can understand the times/dates that part of electricity demand is met by on-site small scale generation. This can be critical in cases that domestic PV is combined with battery storage, as it can lead to significant overvoltages (e.g. there is a potential for both the PV and batteries to export when the prosumers are away from home for long periods).
- The availability of HH export data can provide a more accurate view of half-hourly losses in our networks, as we can combine half-hourly measurements at the connection point with customers and monitoring data across our substations.
- It is important to ensure that Ofgem excludes any benefits already captured in the BEIS smart meter business case. There is a danger that these could be double counted which would artificially inflate the potential benefits of export/half hourly settlement. We also note that there are likely to be costs associated with the management of export MPANS and settlement which do not appear to be included in the assessment.

2. What are the impacts for your organisation of implementing market-wide half hourly export settlement?

As highlighted above, moving to half-hourly settlement could provide improved information on the location, scale and timing of generation on our networks. The information on half hourly export should allow networks to make more efficient decisions in terms of network investments whilst the half hourly settlement process should help with the network charging and incentivisation of customers to reflect these costs in their behaviours (assuming these charges as reflected in the final energy bill).

The implementation of half-hourly settlement also potentially places additional costs and obligations on us as a DNO which were not included in the RIIO-ED1 settlement.

Supercustomer billing

- As noted in your business case, DNOs could also be affected by the decision on supplier billing for half hourly settlement purposes. The decision on export settlement will also have implications in this area as those customers will need to be billed (or in some cases receive credits).
- In February 2018, we replaced our current DUoS and Associated Distribution System billing system (called DADs) with a replacement billing system provided by another vendor. The replacement system has been successfully used to manage the billing process by other DNOs for a number of years. We have signed a contract for the replacement system with the vendor who has provided indicative costs that if a solution for DUoS billing the domestic sites involving aggregated billing is adopted then the costs to ENWL would have a low to medium impact on the business. They also indicate if site specific billing is adopted for these sites then the cost is likely to have a high impact to ENWL due to the significant development work required for the system to handle the increased volumes (and associated costs).
- Our experience is that the current supercustomer billing arrangements works well for customers, suppliers and DNOs. We do not see the benefit of moving from aggregated billing to a site-specific billing solution as the associated costs would not deliver any additional benefits or incentives to customers. If Ofgem decides to move away from the current system, it should carry out and publish a cost benefit analysis to demonstrate the added value for customers.

Tariffs and billing validation

- As set out in our response to Ofgem's RFI in 2017, we currently bill suppliers and independent DNOs (IDNOs) using tariffs based on profiled Supplier Purchase Matrix data we receive in the D0030 Aggregated DUoS Report and D0314 Non Half Hourly Embedded Network DUoS Report from the Supplier Volume Allocation Agent respectively for customers who do not have half hourly meters installed. For those customers moving from profiled (currently profile classes 1-4) to actual consumption data under the HH settlement reform, we may need to provide additional billing and validation data to suppliers and IDNOs depending on the design solution for the future of these dataflows or creation of new dataflows when Profile Classes, Standard Settlement Configurations and Time Pattern Regimes are made redundant.
- There is also likelihood we will incur additional costs for the storage of the additional actual consumption data and marginal costs for providing additional billing to and validation with suppliers and IDNOs.

Export MPANs

- The majority of small scale generators are currently settling with deemed export (an assumed 50% export to the network irrespective of actual consumption at the address). The roll out of smart meters will result in suppliers moving from deemed export to metered export (as per their licence condition). Those sites with generation and smart meters will therefore require export MPANs to settle the generation flowing onto the network. This represents a currently unfunded obligation on the network companies for RIIO-ED1 which will increase as the smart meter rollout programme gathers pace. We are currently working with GEMSERV on a new obligation on DNOs to provide export MPANs following an agreed change to the MRA.

3. What are the impacts for consumers of implementing market-wide half-hourly export settlement?

Ofgem should recognise two distinct groups of customers with regards to export settlement – those with and those without generation. Those customers without generation should benefit as the increased accuracy of settlement should allow the removal of the risk premium applied by suppliers, resulting in lower prices.

We suggest that it is very hard to speculate on the potential implications for the majority of customers (i.e. all connected customers irrespective if they have generation) due to the dependency on the physical location of the customers in relation to the generation sites. If paying generation higher rates in load dominated areas and charging them more in high generation areas reduces overall system costs then the results should be beneficial for all customers.

Our response relating to customers with generation is addressed in question 4.

4. What are the impacts for small scale generators of implementing market-wide half-hourly export settlement?

Customers with small scale generation are likely to see significant changes if half hourly export settlement is introduced. Customers with generation may perceive the change negatively as the industry moves from a defined treatment (deemed export) which can be more easily predicted to a less certain treatment, introducing additional complexity to the current arrangements. We suggest that any future FIT or equivalent incentive schemes should require half hourly settlement. To better understand customer views we suggest Ofgem undertakes further work in this respect.

As stated above, the majority of small scale generators are settled using deemed export. Those generators with export lower than the deemed 50% will see reduced returns (although accurate) and vice versa. It is important to ensure that the right charges/credits are applied to this group of customers, reducing the current cross-subsidy between customers within this group and all customers. It is important to note that there will be implications for DNOs for the charging methodologies which should be considered as part of the ongoing SCR. The changes are likely to increase the volatility of charges and therefore increase the difficulty to set tariffs to collect allowed revenues.