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Dear Anna,

Market-wide Settlement Reform: Outline Business Case

Thank you for the opportunity to comment on your outline business case for market-wide settlement reform.

Our response is in Annex 1 attached. This response is not confidential and we are happy for you to publish it on your website.

We also support the response submitted by EnergyUK.

Please do not hesitate to contact me using the details above if you have any questions on this response.

Yours sincerely,

Richard Sweet
Head of Regulatory Policy

**MARKET-WIDE SETTLEMENT REFORM: OUTLINE BUSINESS CASE-
SCOTTISHPOWER RESPONSE**

Chapter 2: Strategic Case

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?

We agree with the scope of benefits identified in the outline business case, the most immediate being the correct allocation by grid supply point of generation spill between suppliers and the removal of any associated competitive distortions in the retail market. In the longer term we agree there are likely to be benefits arising from small scale generation responding to time of use price signals and providing flexibility services directly or via third parties.

Overall, provided HHS for export is incorporated into an efficient target operating model (TOM) design, we agree there could be a net benefit from including settlement of export within a mandatory market-wide HHS framework, the more so given the scope for further growth in small scale generation and exporting.

We would highlight the following factors for consideration:

- **FiT metered export** – As noted in the outline business case (paragraph 2.71), there is a requirement in the feed in tariff regulations for export sites to be remunerated on actual export readings once a smart meter is installed. The industry is presently working via Energy UK (through its FiT working group) on developing a common and sustainable infrastructure to handle smart meter export reads. This development is being taken forward in consultation with both Ofgem and BEIS. This could give rise to additional costs unless the target operating model (TOM) solution for HHS of export is designed to interface with the infrastructure being developed by the EUK initiative.
- **Data access** – In Ofgem’s July 2018 consultation it was noted that export data is currently outside the Data Access and Privacy Framework (DAPF). In the accompanying data impact privacy assessment (DIPA) Ofgem concluded that export data should be considered personal data. We believe a key factor in realising the benefits of HHS of export is ensuring all export HH data is entered into settlement. If export data is to be considered personal, then there will be uncertainty as to whether suppliers can access the data for settlement purposes. It will be important for suppliers to have access to both export and import data on a granular basis to maximise the opportunity to deliver innovative products to different market segments. We would therefore recommend the TOM is based on mandatory access to export HH data for the purposes of settlement.

In the context of the DAPF, we would also note that it will be important for Ofgem to take account of the different forecasting activities carried out by suppliers and the different data requirements of each activity. For example, granular data at meter point level (although not necessarily by MPAN) might allow more efficient identification of customer segments with similar behaviour who would benefit from a particular tariff (ie forecasting for product development). Forecasting for trading would require meter point level data

by MPAN because different products could have different risk profiles and therefore be traded in different markets/timeframes, etc. We think these factors are intrinsically linked to the benefits outcome and should therefore inform the policy work on DAPF.

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

We would expect the main impact to be the system integration required to ensure retrieved export HH data is entered into settlement. As noted in our response to Question 1, an important interaction and dependency is the industry framework being developed for smart export meter reads in relation to FiTs.

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

We broadly agree with Ofgem's initial assessment of the potential system benefits of implementing market-wide HHS (paragraphs 2.66 to 2.69) and we agree that under competitive market conditions these benefits would be expected to be passed on to consumers in the form of cheaper bills. To the extent that any savings are not passed on initially, that will present an opportunity for other parties, eg aggregators and other disrupters to enter the market and compete the savings away.

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

HHS of export should expose small scale generation to the temporal variations in wholesale and system costs which may drive changes in generation patterns and adoption of technologies such as battery storage. We agree that HHS should facilitate the creation of new commercial opportunities for eg flexibility service provision, either directly or via third parties.

Chapter 4: Commercial Case

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?

We agree that Ofgem has generally identified the right commercial drivers in its outline business case.

ScottishPower
October 2018