

Email: [halfhourlysettlement@ofgem.gov.uk](mailto:halfhourlysettlement@ofgem.gov.uk)

12 August 2019

Dear supplier/stakeholder,

### **Request for information in relation to electricity settlement reform**

On behalf of the Gas and Electricity Markets Authority ('the Authority'), Ofgem is writing to certain suppliers to seek information in connection with the Electricity Settlement Reform Significant Code Review.

We are requesting information from you on a voluntary basis pursuant to the Authority's general market monitoring functions under section 47 of the Electricity Act 1989. We would like you to provide Ofgem with any information that you consider would inform our consideration of the impacts of moving towards market-wide half hourly settlement. We have published on our website a template spreadsheet to help you do this.

We are especially keen to receive your feedback – whether qualitative or quantitative – in relation to the following sections to the spreadsheet:

- section 1 (IT impacts)
- section 2 (operating impacts)
- section 3 (aggregation impacts)
- section 4 (balancing impacts)
- section 5 (customer messaging impacts)
- section 6 (competition impacts) and
- section 12 (product innovation impacts).

Last month we published for comment a draft version of this information request. Today we have published a document providing guidance and clarification on points raised by stakeholders. Please refer to this document when compiling your response. We shall be updating the Q&A document periodically throughout, please email us (at [halfhourlysettlement@ofgem.gov.uk](mailto:halfhourlysettlement@ofgem.gov.uk)) if you wish to be notified when we publish an updated version on our website. Please also endeavour to ensure any information you provide is as accurate and detailed as possible.

You should note that the information we receive may be used for any purposes relating to Ofgem's functions including:

- use in connection with the contents of a report which is to be published pursuant to section 5(6) of the Utilities Act 2000; and
- facilitating policy development in relation to domestic and non-domestic customers, possibly with a view to making proposals to modify licence conditions under section 11A of the Electricity Act 1989.

Annex 1 sets out the purpose of this information request in more detail.

## Confidentiality and disclosure

Any information provided to us which relates to the affairs of an individual or a particular business will be subject to statutory restrictions on disclosure under section 105 of the Utilities Act 2000. However, there are exceptions to the statutory restrictions, including where the disclosure is necessary to facilitate our statutory functions (such as publishing information to promote the interests of consumers) or those of other public bodies.

Ofgem cannot provide any assurances in relation to the treatment of information which may be the subject of a request made under the Freedom of Information Act 2000 (FOIA). However, Ofgem will always consider whether the statutory restrictions on disclosure apply to the requested information and therefore whether one or more of the FOIA exemptions apply.

***Ofgem intends to publish material from the responses to this request in an anonymised and/or aggregated format.*** Before deciding whether to publish any information relating to the affairs of a particular licence holder or business, Ofgem is required to consider whether it is appropriate to redact any information on the basis that the information would or might, in our opinion, seriously and prejudicially harm the interests of that person ("confidential information"). ***In order to enable Ofgem to conduct this assessment, we would ask that you indicate in your response whether you consider any information to be confidential information and provide brief reasoning in support of your views.*** A space on the spreadsheet has been added in order for you to include comments on confidentiality in relation to each question. Where appropriate, we may seek further representations from licence holders or businesses at a later stage in respect of any specific information Ofgem is proposing to publish for any other purposes.

## Your response

Please use the template spreadsheet to input your response. Email your response to [halfhourlysettlement@ofgem.gov.uk](mailto:halfhourlysettlement@ofgem.gov.uk) by 5pm on 7 October 2019.

Where a licence holder is part of a corporate group with multiple electricity supply licences, we request that one consolidated reply is provided to us on behalf of all the relevant licence holders which received the information request.

If any "white label" electricity suppliers operate through your electricity supply licence, please include in your response any costs that they expect to incur.<sup>1</sup> If this is commercially confidential, please arrange for any associated white label electricity supplier(s) to provide this data directly to us.

If you have any questions about this Notice, please contact [halfhourlysettlement@ofgem.gov.uk](mailto:halfhourlysettlement@ofgem.gov.uk), Andy MacFaul (email: [andrew.macfaul@ofgem.gov.uk](mailto:andrew.macfaul@ofgem.gov.uk), tel: 020 7901 7083) or Josep Garcia-Sole (email: [josepgarcia.sole@ofgem.gov.uk](mailto:josepgarcia.sole@ofgem.gov.uk), tel: 020 7901 3887).

Yours sincerely,

**Anna Stacey**  
**Team Leader, Settlement Reform**

Signed on behalf of the Authority and authorised for that purpose

---

<sup>1</sup> A "white label" electricity supplier is an organisation that does not hold an electricity supply licence and instead partners with a licensed electricity supplier to offer electricity using its own brand.

## **Annex 1: Background to this information request**

In July 2017 we launched the Electricity Settlement Reform Significant Code Review (SCR)<sup>2</sup>. This SCR is looking at the scope for using accurate and timely half-hourly consumption data from smart meters to improve settlement quality and encourage the kind of product and service innovation that leads to consumer load shifting and more efficient energy use.

We expect market-wide electricity settlement reform to expose suppliers to the true cost of supply across the day. It would therefore strengthen the incentives on them to help their customers - via innovative tariffs and/or products - shift consumption to times when electricity is cheaper to generate or transport. In principle, customers responding to those new signals should see direct financial benefits.

Achieving significant levels of load shifting could drive benefits for the electricity system as a whole by reducing the generation and network capacity costs required to meet peak demand. Such benefits would accrue to all system users, including those that cannot alter their consumption pattern to any significant extent. We therefore view market-wide electricity settlement reform as a key enabler of a smarter, more flexible and decarbonised energy system.

### ***Our approach***

We are using a three-stage Business Case approach to assess the case for market-wide settlement reform. As part of this, we are following the Five Case Model methodology<sup>3</sup> for assessing policy options in major project business cases.<sup>4</sup>

We published the first stage, the Strategic Case, in February 2018. This document examined the strategic rationale for market-wide half-hourly settlement. It also explored the interactions with other, related projects intended to ensure that consumers benefit from a changing energy system and the retail market.

In August 2018 we published the second stage: the Outline Business Case. This document included a draft economic assessment of the costs and benefits of market-wide settlement reform. The analysis suggested that, due to the magnitude of potential benefits that can be realised, our decision should centre on determining exactly when and how, rather than whether, market-wide settlement reform should be introduced.

The third and final stage is to develop and publish the Full Business Case (FBC). The FBC will bring together all aspects of the Five Case methodology in light of developments from all the work streams on this project. It will, as part of the economic case for settlement reform, include an Impact Assessment (IA) in relation to market-wide half-hourly electricity settlement as compared with the existing 'elective' arrangements. We will consult on a draft version of the IA.

To inform the draft IA we are now seeking - via this request for information (RfI) - detailed cost and benefit information about market-wide half-hourly settlement under a variety of implementation timescales. The RfI also seeks information for a "do nothing" option in

---

<sup>2</sup> <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>.

<sup>3</sup> This approach assesses the strategic, economic, commercial, financial and management impacts of each option under consideration.

<sup>4</sup> At the same time, Ofgem and the industry have been developing a Target Operating Model (TOM) for any revised settlement arrangements. This work is being done via the Elexon-chaired Design Working Group. Elexon recently consulted stakeholders on how best to transition towards the preferred TOM.

which we retain the elective settlement arrangements. This will act as a baseline against which market-wide reform can be measured.

We wish to use the information provided by stakeholders (aggregated and anonymised as necessary) to inform a forthcoming draft and final IA. The information may also be used to provide support for policy decisions that involve subsequent code and licence modification proposals on settlement reform.