

MHHS RFI Q&A

Q&A Modifications table		
File version	Date of publication	Changes made
Original	12/08/2019	
1st update	22/08/2019	Added questions 27 to 29
2 nd update	30/08/2019	Added questions 29b and 30 and cross reference at Q9

Q1. Is the RFI mandatory for suppliers?

A. The RfI is mandatory for the largest suppliers, and some questions will be mandatory for medium suppliers. Size will be based on the number of MPANs in that supplier's portfolio that are in profile classes 1-4. The notice received with the RfI will make it clear which questions are mandatory for you.

The difference between large and small suppliers is because we acknowledge that the burden is different for smaller suppliers. However, any data and evidence we receive will help us in developing our Impact Assessment. Responses from smaller suppliers and market participants other than suppliers will be extremely valuable in helping us make sure we take account of the impact on all types of stakeholder. Even if you can only provide us with broad estimates or qualitative responses, we are keen to hear from you.

Q2. Which questions should I answer?

A. If any of the questions are mandatory for you, this will have been made clear in the notice you have received.

We have included a table to allow you to filter by obligatory and recommended questions for stakeholders to respond in the spreadsheet (columns R to AE). Where we have marked a question as obligatory, you must respond to it. Where a question is marked as recommended, it means we are particularly interested to receive feedback from you on that question. However, you are welcome to provide input on any of the other questions in the RFI in addition to those recommended for you. For example, if you believe that you have relevant information, please answer questions even where they relate to organisations other than your own. Getting input from a variety of stakeholders in this way will improve the robustness of our analysis.

Q3. How much time we will have to respond to the RfI?

A. All respondents will have until 5pm on Monday 7 October 2019 to email their responses to us at halfhourlysettlement@ofgem.gov.uk.

Q4. What assumption should we make about timing of Ofgem's Full Business Case and decision on market-wide settlement reform?

A. Please base your answers on the assumption of a decision on market-wide settlement reform in Q3 2020.

Q5. Where can I find more information out about the Preferred Target Operating Model (TOM) and the transition approach?

A. Appendix 1 of this document shows the current market model for settlement arrangements and also the preferred TOM under MHHS. Further information on the details of the preferred TOM can be found in the DWG Preferred TOM Report on the Ofgem website.¹ The report is split into 4 parts, with hyperlinks below:

- [The Main Report setting out the DWG recommendations to Ofgem on the preferred TOM](#)
- [Attachment A: Detailed TOM Service and Data requirements](#)
- [Attachment B: DWG's development of the TOM](#)
- [Attachment C: Risks, Assumptions, Issues and Dependencies](#)

The DWG [Transition Approach consultation](#) can be found on the ELEXON website.² The DWG are due to submit the final report on the Preferred TOM and Transition Approach at the end of August.

There is a minority view against the preferred TOM in the report to Ofgem, in which the minority favours an alternative TOM where settlement aggregation of meter data continues to be a competitively-provided service outside of central settlement. Questions are included in the RFI to help us gather evidence to use in making a final decision on the TOM.

Q6. Will my response to this RfI remain confidential?

A. Any information provided to Ofgem 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, you should note that there are exceptions to the statutory restrictions, including where the disclosure is necessary to facilitate the statutory functions of Ofgem (such as publishing information to promote the interests of consumers) or 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

¹ <https://www.ofgem.gov.uk/publications-and-updates/design-working-group-preferred-tom-report>

² <https://www.elexon.co.uk/group/design-working-group/>

or businesses at a later stage in respect of any specific information Ofgem is proposing to publish for any other purposes.

Q7. How do I use the RfI spreadsheet template?

This RfI is divided in three areas (from the right to the left): the "questions area", the "input area", and the "search table".

The **question area** details, from left to right: the directly affected stakeholders for each question, the question number (Q no.), and the question and additional questions/guidance. Please read these carefully before responding.

The **input area** is divided among the "qualitative response" section (column G), the "quantitative response" section (columns H to O), and the "confidentiality comments" (column P).

Use the cells in the **qualitative response column** to provide your qualitative responses (if applicable), and/or to add as much detail as possible to your quantitative response for each question (including describing the drivers behind the quantitative estimates).

In the **quantitative response section**³ you will find the following headings:

- **Unit (e.g. £/cst):** When providing your quantitative response you will be able to choose between: £total and £ per customer (there is a drop-down list for each cell under this column). NB: when calculating £ per customer you should only consider profile class 1-4 plus electively settled HH customers, considering relevant import and export electricity customers depending on the question. If you consider that a different metric would be more advisable for a specific question, please do so, clearly specifying this in your qualitative response.

Where costs can only be given per item please ensure the units are clear. Use the qualitative response cell for this.

- **One-off cost:** please also provide the period of time over which they are incurred.
- **Ongoing costs**
- **Uncertainty margin:** When your response is a range, rather than a single figure, please use the uncertainty margin columns. This can capture the accuracy of your estimate or any uncertainties. For example, if your response is: £100 +/- 25%, we will understand that your response is a range (£75 - £125) where £100 is the mid-point. Each cell under this column will have its own drop-down list. If you do not wish to provide a range, choose 0% from the list.
 - **On-going cost savings:** this is to differentiate between costs and cost savings.
 - **Confidentiality comments:** please use the cells in this column to provide any comments about the confidentiality of your response to the question. See "Will my response to this RfI remain confidential?" section in this document for more information.

You can use the **search table** (columns R to AE) to filter questions that are obligatory, or particularly recommended, for each category of stakeholder to respond to. **NB:** the table is a tool for your convenience, however, make sure you respond to all the questions (if any) that are marked as obligatory for you as per the RfI letter addressed to your organisation.

³ Please see the "How will Ofgem validate the responses?" and "What costs and benefits do I include?" sections in this document for more information about the input we are seeking from you.

Q8. Where there is not enough information in the preferred TOM for a detailed response, would Ofgem accept caveated estimates for these figures? This includes questions relating to activities that the party do not currently or have not previously carried out.

A. Yes, where you think you don't have enough information on the TOM design or architecture to provide an exact figure, please provide your best estimate, explaining your assumptions and caveats with as much detail as possible (please use the qualitative field for any explanations you wish to provide on your quantitative answer). Please note that the "uncertainty margin" field in the quantitative input section is intended to allow you to provide a range rather than a single figure. This is to capture any uncertainties and the accuracy of your estimate. Please see the section above "How do I use the RFI spreadsheet template" for more information about the uncertainty margin field.

Q9. What should we assume regarding the implementation deadline for MHHS?

A. We will be using our final business case to make our decision on MHHS, including how and when it should be implemented.

We will use our Impact Assessment to determine the appropriate deadline, informed by evidence including responses to this RfI - there is a trade-off between early implementation, which would have greater benefits but also greater costs and later implementation, where benefits and costs would both be lower.

The spreadsheet asks you to assume a central implementation date of 3 years from the publication of the Full Business Case, when we will set out our decision on if, how and when to proceed with MHHS. The spreadsheet also asks for estimates of costs and cost savings for 2 and 4 year implementation periods.

Please assume that the Full Business Case will be published in Q3 2020.

Please see also questions 29 and 29b below regarding MHHS implementation

Q10. When will the new data-sharing framework come into effect?

A. The new data sharing framework will not come into effect until the necessary amendments to licenses and codes are in place as part of the implementation of market-wide HHS. In the meantime, we will be working with stakeholders to investigate how consumer opt-out preferences can be recorded in advance of this, noting that the data will not actually be collected until implementation.

Q11. Can I use data I provided to the previous, voluntary, Request for Information on Settlement Reform?

A. Please try to answer each question as fully as possible, including by providing quantitative estimates where they are requested. As you proceed through this RfI, you might notice that some questions are very similar to those in the first RfI on half-hourly settlement reform. If you feel that you have already answered any of these to the best of your organisation's ability in the previous RfI, it is fine to refer us to your previous answer - however, do keep in mind that there might be additions or changes that you can make to your original answer now that you have the TOM to refer to. Another change is that in some of the questions, we have mentioned specific arrangements that could be applied within the framework of the TOM that we would like you to consider when answering. In others we have left it up to you to decide which arrangement you want to assume in your answer, so please make sure that you have provided enough information for us to understand the arrangement you have chosen.

Q12. Should I include costs which are passed through to other market participants?

A. When identifying a cost, please indicate if this cost is likely to be passed through to a different party in the market (with the exception of final consumers).

Q13. How will Ofgem validate the responses?

A. Please justify costs and savings included in your answers as well as possible. The onus is on stakeholders to justify their responses. This information request seeks to continue the process of gathering information on the both general scale of the costs of settlement reform and also specifically on what drives these costs. Only broad brush information was obtained at the first stage so the aim is to refine these estimates further. Please endeavour to provide evidence to back up your estimates, or to explain the workings behind your estimates. We will assess the adequacy of the evidence submitted to us to be incorporated in our analysis of the potential impacts of such reform.

Q14. What costs and benefits do I include?

A. This information request also seeks information on how costs and cost savings could be attributed to settlement reform specifically. Costs and cost savings of settlement reform should be estimated as those that are incremental to business as usual, assuming that settlement reform does not take place (and settlement policy remains as now). This means that only costs and cost savings over and above business as usual should be included. For example, if IT systems need to be changed or upgraded even without settlement reform, only the additional net costs of dealing with settlement reform should be considered, including the cost savings. Please justify such costs and savings as well as possible. We will assess the suitability of the evidence before it is incorporated in our analysis. Please provide cost and cost savings estimates wherever possible when asked. These estimates should all be accompanied by an explanation of how these estimates have been arrived at, giving quantitative contextual information and assumptions used to arrive at those estimates.

Where you provide cost estimates, please indicate whether these are 'one-off' (and, if so, the period of time over which they are incurred) or ongoing costs that will be incurred on a continuing basis as a result of the changes in question

Q15. What assumptions should I make?

A. Assume that settlement reform leads to a requirement that MPANs currently in profile classes 1-4 are settled half-hourly using actual consumption data, as described by the preferred TOM.

Details of the DWG's preferred TOM can be found in the [preferred TOM report](#) and the details of the transition approach can be found in the [transition consultation](#). Details of Ofgem's decision on access to data for settlement purposes can be found [here](#).

Q16. What did the Outline Business Case conclude?

A. Our [Outline Business Case](#), published on 17 August 2018 found that the benefits from load shifting in our assessment (including the sensitivity testing) have a lower bound of £100s of millions out to 2045, with an upper bound of several £billion out to 2045. The breadth of the range reflects both the inherent uncertainty in predicting electricity system outcomes and assessing the likelihood of load shifting behaviour, and also the range of potential outcomes that the project could deliver. We said that the costs to

implement market-wide settlement reform looked, on the basis of information currently available, to be in the order of tens of millions of pounds in upfront costs, with millions of pounds per year of ongoing costs to support the increase in data amounting from the new settlement processes. This would amount to an overall cost for implementation and operation of the arrangements for market-wide settlement reform in the region of tens of millions of pounds (approaching £100million) from implementation until 2045. This assessment may prove to be either an under or over estimate of costs, but it provides an indicative figure by which to compare the benefits. We said that the draft assessment indicated substantial potential benefits, suggesting that our decision on the project should centre on when and how, rather than whether, market-wide settlement reform should be introduced.

Q17. What is meant by "profiling activities" in question 2.01.03?

A. By "profiling activities" we mean all operational and administrative activities required to assign customers to a particular profile class.

If there are certain activities that are no longer required and that represents a cost saving for suppliers, we would like to capture that.

If profile classes were used for different purposes (e.g. for product pricing or demand forecasting) and their elimination means that new processes or systems would need to be developed for these, we would like to know about these costs (however, please avoid double counting of costs also included in sections on forecasting or pricing – if relevant, instead provide qualitative information cross-referencing those sections).

Q18. Should the costs and benefits of billing and pricing customers on a half-hourly basis be included in the responses?

A. Please do NOT include costs associated with MHHS enabled market offers (such as the cost of pricing and billing half-hourly) in your answer to questions in any section except section 12 which covers product innovation.

Q19. Should I include the smart meter roll out and the Switching Programme in my business as usual assumptions in my responses?

A. Yes.

Q20. Where a DNO provides services also provided by supplier agents, should the costs be counted as DNO costs, or supplier agent costs?

A. Please include these costs in the supplier agents section rather than the DNO section.

Q21. At which granularity will electricity consumption/generation data be held in the central database⁴ described in the TOM?

A. We expect the granularity of this data to be half-hourly at MPAN level, and enable third parties to use this data when users have given permission. We would also expect to have anonymised data to be used for the public interest given the right governance.

Q22. Which environmental schemes should we assume exist in the future when settlement reform is implemented?

⁴ Please note Ofgem have not yet made the final decision on whether there will be a central database of half-hourly MPAN level data. This decision will be made using the Full Business Case.

A. Please assume the current schemes are in place rather than future schemes. This includes CfD, RO, FiT and ECO.

Q23. What assumptions should suppliers make about how communication with customers will evolve?

A. Please consider that by the time settlement reform is implemented there is likely to have been a decrease in postal communication as the preferred medium for customers. Also please assume communication will be via a customer's preferred medium (email or post).

Q24. What assumptions should be made about DCC remedy timescales for a communications fault?

A. Assume DCC remedy timescales will be as described in the [SEC Appendix AG - Incident Management Policy](#). Section 2.4. The details are in the table in Section 2.4.4.

Q25. Should cost estimates related to delivering MHHS and system updates include investment and activity made to date to deliver Elective HHS, or if this should be considered separately?

A. If Elective HHS is part of your business as usual activity, please do not include these costs. If it is not part of current business as usual activity, but you intend to develop Elective HHS process in preparation for MHSS, please include these costs in the responses to the innovation questions in section 12 and clearly flag your assumptions.

Q26. How will Ofgem be determining the benefits of MHHS?

A. We are expecting to use this RFI in assisting us to identify cost savings. Regarding the system-wide benefits, we have looked at the impact of a shift in consumption as a result of changes to the settlement arrangements using a GB power market model – the Dynamic Dispatch Model (DDM). The model analyses electricity dispatch decisions from GB power generators and investment decisions in generating capacity from 2010 through to 2050. It can show the impact of policy decisions on generation, capacity, costs, prices, security of supply and carbon emissions. This approach is explained in detail in the [Outline Business Case](#) for MHHS, along with the wider benefits we expect MHHS to bring.

Questions added 22 August 2019

Q27. My organisation represent more than one type of party. Should I answer all the questions that apply to any of the parties my organisation includes?

Yes, please ensure it is clear in your response which part of your organisation the response is relevant for.

Q28. I am a supplier, which question filter should I be using: "large", "medium" or "other"?

A. If you received a letter from us outlining which questions are mandatory for you, please ensure that you provide responses for those questions. If you did not, please use the 'supplier (other)' filter.

Q29. What should I assume about the MHHS implementation timeline?

A. In the RFI we are asking you to assume a TOM **implementation period** of 3 years (and how your estimates would change assuming a 2 and a 4 year implementation

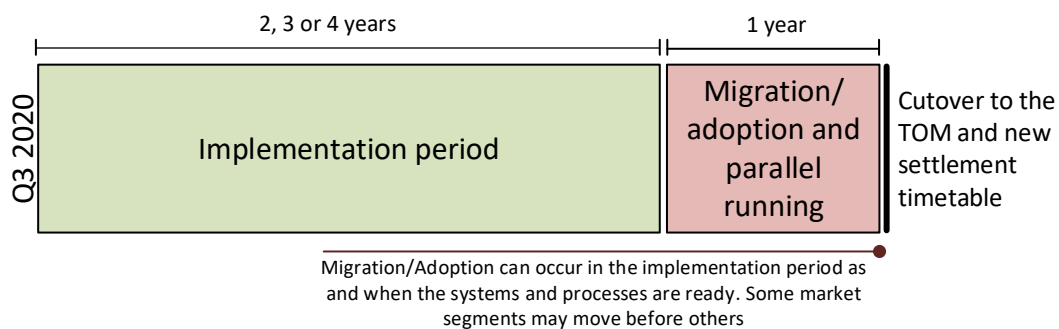
period instead) which would start with the publication of the Full Business Case in Q3 2020 (July - September 2020).

You should consider "**implementation period**" in line with the "DWG's Consultation on approach for transitioning to the MHHS TOM" document,⁵ ie: the stage where Governance, code changes, system changes, and the Qualification process for providers of new TOM services are carried out. This is also the period where Suppliers and other parties prepare their IT systems as needed for migration and/or adoption.

Following the implementation period is the time allowed for the **migration and/or adoption** of Metering Point Administration Numbers (MPANs) by the new TOM services, with a period of **Parallel Running** with the new TOM services and existing agent functions. This would be on top of the "**implementation period**" and we would expect it to last for 1 year. Please also describe the cost and cost saving drivers for your organisation associated with the length of this phase where relevant.

Finally, we would have the **cutover to the TOM** (where all MPANs are settled under the TOM) **and the new settlement timetable**.

Figure A: Transition timeline to the new TOM



Questions added 30 August 2019

Q29.b Will there be an obligation on suppliers to start their migration within the implementation period?

A. No. Our decision may be that there should be different implementation periods for different segments (eg. unmetered, advanced, smart / non-smart) or for import and export. As shown in the diagram in Q29, we expect suppliers would be able to start migrating earlier if they wish. However, in each segment, there would not be an obligation to start migrating before the end of the implementation period, although there may be incentives to encourage the migration/adoption of MPANs earlier.

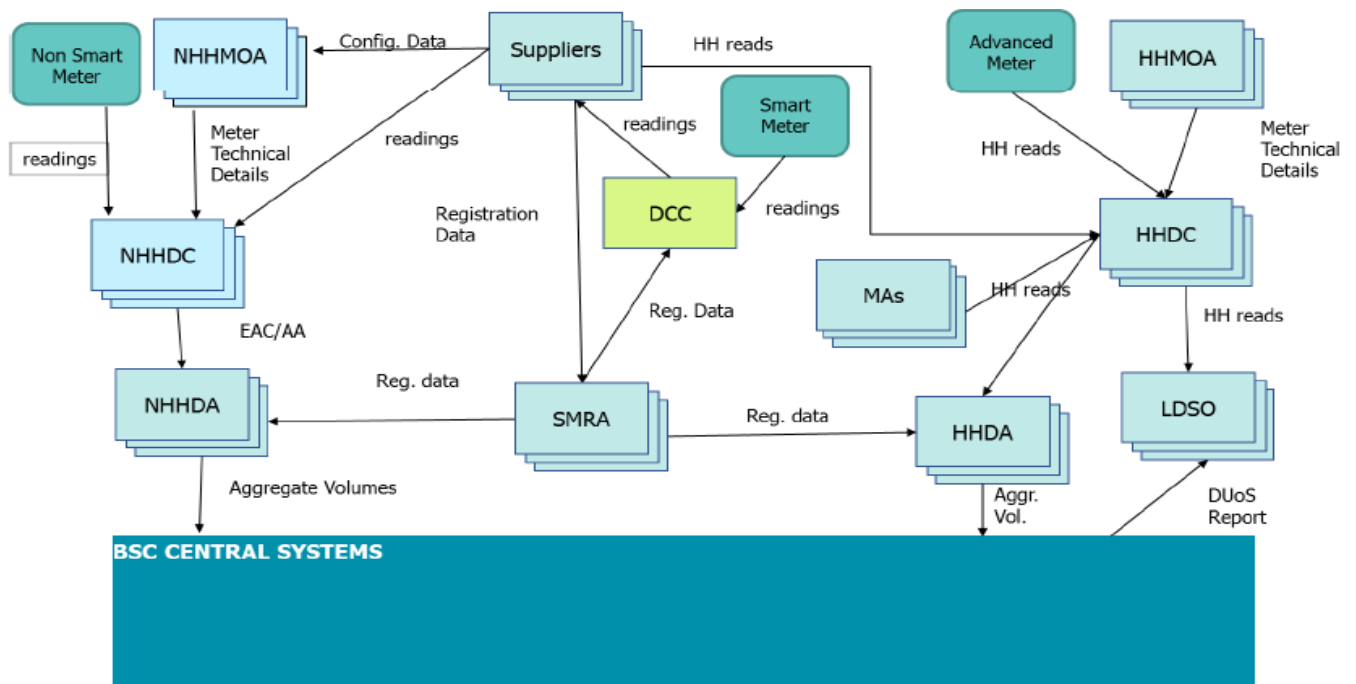
Q30. Questions 12.04 to 12.08 (Product innovation) are marked as relevant for "all stakeholders" in the first column. But in the "obligatory/ recommended table" (columns R to AE) for non-supplier stakeholders these questions are neither obligatory nor recommended. Could you clarify the position?

A. We are particularly interested to have feedback from all stakeholders on questions 12.04 to 12.08. Please consider these questions to be "recommended" for all non-supplier categories of stakeholders, as well as obligatory for the largest and medium suppliers and recommended for other suppliers.

⁵ <https://www.elexon.co.uk/documents/groups/dwg/consultations-dwg/dwgs-consultation-on-transitioning-to-market-wide-half-hourly-settlement-document/>

Appendix 1

Figure 1: The current market model



See ELEXON's website for a glossary of terms for the acronyms used above:
<https://www.elexon.co.uk/glossary/>

Figure 2: The preferred Target Operating Model

