



Anna Stacey,  
Head of Settlement Reform,  
Ofgem,  
10 South Colonnade,  
London,  
E14 4PU

13<sup>th</sup> August 2020

Dear Anna,

### **Consultation on Market Wide Half-Hourly Settlement**

Thank you for the invitation to respond to the above consultation. Bristol Energy is a national gas and electricity supplier that is making a positive difference by building a sustainable energy company that has social value at its heart. Bristol Energy has delivered over £12m in social value, since launch, and is committed to working with city partners to help Bristol hit ambitious social and environmental goals as set out in the Council's One City Plan.

#### Executive Summary

Overall Bristol Energy is supportive of the move to Market-wide HH settlement and Ofgem's approach. We see this move as probably the most important of Ofgem's market reforms with a clear net benefit. In our view, the Faster switching programme should be deprioritised to allow MHHS to be completed sooner and other programmes held until MHHS is completed.

We believe that delaying implementation to 2024/5 is too long for such an important programme, but recognise that smaller parties like us with limited resource cannot move sooner with smart metering and faster switching programmes already running, as well as changes required as a result of the Supplier Licence Review, and any proposals that may emanate from the Energy Retail Market Review.

Whilst good governance of any project involving a significant number of parties is important, we encourage Ofgem not to replicate the faster switching project governance without a review of its strengths and weaknesses, not just from Ofgem's perspective, but from market participants too. A leaner approach more accountable to market participants than to Ofgem would be better, although we agree Ofgem remains as SRO for the programme. Our preference would be for Elexon to take on the key role as programme manager.

We have answered your specific the questions below, expanding our response where necessary.

**Q1. We propose to introduce MHHS on the basis of the Target Operating Model recommended by the Design Working Group last year. Do you agree? We welcome your views.**

We support the proposal to introduce MHHS on the basis of the DWG's TOM. However, as we step down a detail it may be necessary to revise the target operating model if it is found that the current proposal hinders efficient implementation or some of the assumptions made when developing the TOM are found to be incorrect. It is important that any variation is properly assessed and communicated to parties.

**Q2. Ofgem's preferred position is that HH electricity consumption data should be sent to central settlement services in non-aggregated form. Do you agree? We welcome your views.**



We support this view. The original reason for aggregated in a decentralised manner have been surpassed by technological advances which formally limited aggregation taking place in one place. Aggregating centrally has the additional advantage that other cuts of aggregated data could be done across different suppliers. For example, for academic research or for parties offering services across suppliers, subject to customer consent being correctly provided.

**Q3. We propose that the Initial Settlement (SF) Run should take place 5-7 working days after the settlement date. Do you agree? We welcome your views.**

In our view this cannot be decided until a greater level of detail is developed on the proposed TOM. The key question is how long is required to ensure that all metering points without HH data can have HH data estimated through the new load shaping service. The mechanics of this new service needs to be developed and only then can a decision be made as to when the SF can be run.

**Q4. We propose that the Final Reconciliation Run (RF) should take place 4 months after the settlement date. Do you agree? We welcome your views.**

Whilst we believe that this should be the end state whether this can be the case initially will depend on the number of metering points that do not have a remote read facility. i.e. How many properties have exercised their right to refuse a smart meter? Even with a monthly read cycle, a proportion of these properties will still be unread after 4 months and thus final settlement will be estimated.

It is our view that final settlement should not be run if the amount of energy which is not based on a reading (i.e. actual HH date or profiled based on an actual register read) is less than 97%. If 97% is not achievable, then RF will need to be set later.

**Q5. We propose that the post-final (DF) settlement run should take place 20 months after the settlement date, with the ratcheted materiality proposals described in chapter 4. Do you agree? We welcome your views on this proposal, and in particular about its potential impact on financial certainty for Balancing and Settlement Code parties.**

The sooner the settlement process is crystallised the better for all parties. We feel that DF runs should be few and far between and the exception rather than the rule. We therefore welcome the proposed ratcheted materiality proposals but would encourage that the threshold is set on a daily basis rather than on the total materiality of the error. For example, a £1M error on a single day should be corrected in a DF run, but a £1M error spread over 20 months (i.e. c. £1,700/day) would not.

**Q6. We propose to introduce MHHS for both import and export-related MPANs. Do you agree? We welcome your views.**

We support the view that all export should be settled Half-Hourly, just as we believe all import should be settled on a HH basis. This will make the process of settlements more efficient and mean export data is more accurate than import data where the customer opt out exists. We believe Ofgem should make it clear that customers without a HH capable meter cannot spill export onto the grid.

**Q7. We propose that the transition period to the new settlement arrangements should be the same for import and export-related MPANs. Do you agree? We welcome your views.**

We support this approach as it means all sites with both import and export can be moved across at the same



time.

**Q8. We propose a transition period of approximately 4 years, which at the time of analysis would have been up to the end of 2024. This would comprise an initial 3-year period to develop and test new systems and processes, and then 1 year to migrate meter points to the new arrangements. Do you agree? We welcome your views.**

It is disappointing that MHHS will not be delivered until the end of 2024 especially as it has far more potential to deliver greater engagement and benefit to customers than the faster switching programme. Nevertheless, we fully agree with the view that suppliers only have finite resources to deliver major change in parallel and, that MHHS will bring greater benefit if the number of smart meters is higher, which it will invariably be in 2024.

We do wonder whether the one year transition period is necessary or even desirable giving the duplication of effort it would involve and think Ofgem should reconsider at some point further down the line whether a big bang scenario is achievable or more preferable when more detailed specification is available, or whether a shorter transition is possible such as 6 months.

One key element is that the Load shaping service can only be effective if it has sufficient numbers of metering points been settled HH. If the rate at which meters are transferred to HH is skewed towards certain customers, e.g. Customers engaging with ToU tariffs this could impact the integrity of the shapes produced by the LSS. This needs to be considered and mitigated in the transition stage.

**Q9. We have set out high-level timings for the main parties required to complete a successful 4-year transition to MHHS. Do you agree? We welcome your views, particularly if your organisation has been identified specifically within the timings.**

At a high level these timings look sensible, but the design and build will be dependent on having sufficient detail to start this work. As an example, suppliers cannot start to design their systems until they know the interfaces they require to interact with central systems, if these are still being designed by central service providers then suppliers must wait, and this will truncate their development time, or push out the date they can be ready. It would be useful to add into the plan at what point key documents like Detailed interface documents will be available.

The programme should also make a point of engaging directly known system developers who will be providing systems to several supplier parties. This will direct relationship will assist in meeting delivery timescales

**Q10. What impact do you think the ongoing COVID-19 pandemic will have on these timescales?**

We do not believe that covid-19 will have a direct impact on MHHS but will impact other regulatory programmes changing their planning which could then have a knock-on effect on MHHS. Obviously, the impact on energy suppliers' finances will make it even harder for them to finance multiple projects over the next few years and this may need to be considered.

The programme should seek to ensure that it requires the minimum change needed to deliver the desired outcome and resist the temptation to require gold plated solutions.

**Q11. We propose that there should be a legal obligation on the party responsible for settlement to**



**collect data at daily granularity from domestic consumers who have opted out of HH data collection for settlement and forecasting purposes. Do you agree that this is a proportionate approach? We welcome your views.**

We agree with this although it may also be necessary to create a legal obligation on the read attempt frequency of meters without remote contact so that the envisaged settlement timetable has a sufficiently high number of non-remote meters settled by RF on actual reads.

**Q12. Existing customers currently have the right to opt out to monthly granularity of data collection. We are seeking evidence about whether it is proportionate to require data to be collected at daily granularity for settlement and forecasting purposes for some or all of these consumers. We welcome your views.**

For the load shaping service to work effectively it will require daily readings from sufficient customers to be confident that its load shapes are robust and representative. If significant numbers of customers remain on a monthly read cycle, then this will potentially impact the integrity of the service.

In addition, by remaining monthly read, then their data will always be estimated in SF and potentially the R1 settlement run. For customers on an evergreen contract who never renew their contract or change supplier, they will remain outside the scope of daily reads indefinitely.

It also creates a complexity in the consent management processes of suppliers who need to capture HH, daily and monthly options, and change these on change of contract. By removing the monthly option, then the consent process becomes simpler for suppliers and customers.

We would be interested in Ofgem giving a view in whether suppliers could mandate daily collection via a change in customer terms and conditions using the detrimental change process set out in licence.

**Q13. Should there be a central element to the communication of settlement / forecasting and associated data sharing choices to consumers? For example, this may be a central body hosting a dedicated website or webpage to which suppliers may refer their customers if they want more information. If yes, what should that role be and who should fulfil it? We welcome your views.**

As a supplier we would find it useful to be able to refer customers to a trusted 3<sup>rd</sup> party for more information, not just to promote the benefits, but to rebut any misleading claims about HH data use by suppliers and DNOs.

Ofgem would seem the most sensible trusted 3<sup>rd</sup> party, but it would have to ensure the information was easily accessible on its web site and customer friendly, and we have concerns whether this could be achieved and managed by the regulator, given its primary role is not to be customer facing. An alternative could be a dedicated web site hosted by an industry body which is shown to be Ofgem approved in some way, such as using Ofgem's logo. This could then be designed much more as a customer facing source of information.

**Q14. Do you have additional evidence which would help us refine the load shifting assumptions we have made in the Impact Assessment?**

We have no additional evidence to offer but recognise the chicken & egg scenario here. We are in no doubt that once MHHS is available suppliers and 3<sup>rd</sup> parties will offer innovative products to the market to engage customers or use artificial intelligence to allow customers to benefit from passive engagement.



**Q15. Do you have any views on the issues regarding the consumer impacts following implementation of MHHS? Please refer to the standalone paper we have published for more detailed information.**

We think it is very important that as an industry we do not seek to predict what innovations will come from MHHS, and how customer behaviour will change. The important thing is that prescriptive regulations based on false assumptions could hinder the potential benefit of MHHS being achieved.

MHHS has significant potential as a building block to a smarter, zero carbon energy system, but must be complimented with a review of the wider regulatory system so that it both delivers those benefits whilst at the same time providing protection to consumers where significant risk can occur. As the market will get more complex a renewed effort across the regulatory spectrum towards principles rather than prescriptive regulation should take place.

**Q16. Do you agree we have identified the right delivery functions to implement MHHS? We welcome your views.**

Whilst we agree with the view that moving to MHHS will involve change to central systems, suppliers and agent systems, we feel that replicating the structure used by the switching programme will be too burdensome on parties as is the case with the switching programme, and be too costly. It is worth bearing in mind that MHHS only applies to electricity and to a certain extent already exists through elective HH settlements.

We do agree with the need for a Programme Management Office to co-ordinate and oversee the programme, but learn from the lessons of the switching programme that have been overly focussed on the central system changes and left licensed parties trying desperately to make sense of what was required of them.

Until we understand the complexity of the changes required to the systems then the need for a fully fledged system integrator remains to be seen. It could be that the owners of impacted systems could managed this in a co-operative fashion.

The biggest disappointment in the switching programme has been the effectiveness of the Programme Party Co-ordinator, and the over reliance on nominated representatives on the delivery and implementation group to feed in a diversity of views, despite their best effort to do so. The programme co-ordinator should not be there just to monitor and track progress of parties but should act as a critical friend to parties to help them deliver. The success of the programme will be on all parties moving to MHHS in a robust and co-ordinated manner, not on how many parties ended up in enforcement with Ofgem for non-delivery.

We believe the assurance function should be part and partial of the Programme Management Office, and not a separate entity.

**Q17. We have set out some possible options for the management of the delivery functions, and a proposal on how these would be funded. We welcome your views on this.**

Whilst we believe it is important for Ofgem to be engaged, we believe that the shifting accountability to the Industry would ensure better engagement. This would take two forms, firstly a steering group of Industry experts (as opposed to representatives) who would alongside Ofgem's SRO hold the various PMO functions to account and arbitrate where issues between these parties arise. This worked effectively when Elexon was appointed by LCCC to be EMRS for the Fit CfD and Capacity market.

Secondly, Elexon should head up the PMO, but ensure the PMO function sits separate from the team



responsible for delivering Elexon's deliverables. The PMO should report to the Elexon Board but be accountable to the steering group mentioned above. The PMO could contract for the other functions as appropriate. We appreciate this may require a modification to be raised to the BSC, but as it relates to changes to BSC systems it is not as if any modification is significantly extending Elexon's vires.

With regards to funding, we agree it should be funded by BSC parties. Whilst we can see merit in restricting this to supplier parties we believe other trading parties will benefit from these reforms as supplier's trade more actively to meet nuance changes in their customer consumption patterns, and DNO's will also benefit from access to more real time usage data. Funding by BSC parties also means they will be able to hold Elexon to account for costs as they do already.

**Q18. Do you have any comments on the Impact Assessment published alongside this document, or any additional evidence that you think we should take into account?**

We have no additional evidence or comments on the Impact Assessment.

I hope you find this response useful. If you have any queries, please do not hesitate to contact me.

Kind regards,

A handwritten signature in blue ink that reads "Chris Welby".

Chris Welby  
Head of Regulation