

## Questions

### Target Operating Model

**1. 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.**

E.ON agrees that the recommended TOM is a good way to move the market from its current NHH position into a new future market.

While the TOM proposed appears viable, insufficient information has been shared on the likely impacts on critical infrastructure and operational services used across the industry. For example, the retrieval and transfer of HH data will place significant pressure on DCC infrastructure capacity, which also supports other business and time critical activities. It's also likely that changes will be required to meter assets and the back-office systems and DCC adapter products operated by energy suppliers.

We believe that the DCC must be required to provide greater detail on the infrastructure and service impacts, plus any remedial work required to safeguard communications to/from installed smart meters. Where the MWHH implementation requires remedial work to be planned and undertaken, associated cost breakdowns must be published by the DCC. It is important that energy suppliers who fund the DCC's activities are given suitable opportunity to review, scrutinise and challenge costs before any investment decisions are taken by the DCC.

As a NHHDA E.ON would also like assurance that the centralisation of this service continues to offer the same quality without extended time frames or diminished quality to allow parties to continue to offer the associated additional offerings that are available from performing the NHHDA role.

In a similar vein the enduring UMS services need to be described in more detail. Items such as the UMSO reviewing certificates on a monthly basis for HH UMS sites, will this continue or be addressed by a new party?

**2. 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.**

E.ON does agree but we do feel that when the role is tendered there needs to be strict governance regarding the owner "Policing Access" and not deferring this responsibility back to Suppliers or other parties. A clear agreement needs to be in place for enduring arrangements and the potential requirement for auditing the Central service.

### Settlement timetable

**3. 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.**

Yes we agree and our preference would be at D+7 to allow time for system or metering outages. Any performance levels that are in place at earlier Settlement Runs need to reflect the number of days agreed upon and needs to be reflective of any performance issues that can be attributed to other factors such as delays in Smart delivery.

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

Although E.ON agrees with the principals of the earlier RF run there needs to be consideration for Suppliers and agents for the associated cost increases for Manual reading sites. This can be attributed to reduced requirements of walk orders.

**5. 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.**

As the RF window is moved to an earlier point we feel that an “interim” DF window should be available to allow quicker resolution of issues that only just cross the RF boundary. We would like a consideration of a 12 month “DF” window being available to parties.

This would also allow suppliers to align any corrections inline with the back billing rules and corrections made on behalf of the end consumer.

#### **Export-related meter points**

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

Yes we agree that both import and export should be introduced at the same time. It is worth considering that the majority of FiT scheme’s ending should be post the migration of 2024/5, therefore it will be a requirement at this point for DNO Parties to create additional MPAN’s to service these customers in the HH market. Although we agree that this may cause some demand on the DNO / MPAS agents we do not agree with their request for £2.2m to support the creation of Export MPANs (as per the impact assessment -3.60). This is not a cost associated with MWHHS and should be outside of the MWHHS costs.

As such the £2.2m should not be included in the costs for MWHHS.

We would like further consideration to be made against Metering assets associated with import and export metering and the expectation for DCC to be able to service these customers and any requirements for parties to transmit metering updates. We understand that there are currently problems in the DCC’s ability to service 2 MPANs running to a single Metering system especially where the MPANs could be with different Suppliers.

This could also be extended to include items such as Shared Metering arrangements and pseudo MPANs.

**7. 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.**

Yes but the Industry needs to be confident that all parties can maintain the services required to ensure consumer satisfaction, items referenced in Q6 draws out some of the initial concerns.

#### **Transition period**

**8. 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.**

We agree, however should systems be available sooner then there should be no reason to delay parties that wish to use the new TOM earlier. It needs to be considered that controls need to be in place to protect consumers should they wish to change Suppliers at different stages in their TOM transition.

The timing of the transition period and the length of time allocated must take account of other industry-wide programmes, such as the SMIP, with the critical path on the MWHH plans taking account of interdependencies and risks of delay. It is almost certain that the same skilled resources will be involved in the design, delivery and testing of solutions associated with other preceding programme solutions. Lessons learnt reports from other industry programmes have highlighted resource constraints and demands as a contributing factor to issues and delays. On this basis, we believe these interdependences and potential resource constraints must be considered by the MWHH programme from the outset and throughout its planning phases.

The timescales required to migrate the millions of meter points to the new MWHH arrangements will be heavily influenced by MWHH strategic, policy and project decisions. It is conceivable that these decisions could result in the requirement to deploy configuration and firmware updates to meter assets. If required, the development, testing and deployment of such updates is likely to take upwards of 9-12 months, based on E.ON's experience of similar large-scale asset updates. In the case of the MWHH programme, the precise timescales and duration of such a deployment would be influenced by the availability of clearly defined requirements and other factors. We anticipate that each Meter Point would require 3-4 touch points for metering updates.

We also feel that 1 year to migrate all consumers is very stretching. Using the P272 Industry change as an example, the industry had to migrate c250k customers and it took over 1 year and resulted in some parties being entered into the Error and Failure Resolution process.

We also have the enrolment and adoption of SMETS1 meters which has allowed 18-24 months to complete 13m installations and has been re-planned numerous times. This should be used as a good indicator of required timescales.

**9. 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.**

Reviewing the high-level programme plan outlined in Figure 2, we have identified specific comments detailed below. Once a more detailed programme plan is outlined, it is conceivable that we may have other questions and requests for additional clarity.

The high-level MWHH programme plan depicts the simultaneous delivery of eight separate design and build activities, plus the corresponding eight testing activities. We believe it is likely that specific design and build tasks will need to be sequenced, to take account of resource availability and interdependencies, but also to support efficient delivery. Based on our experience of testing new industry solutions, including with the DCC, we expect that testing periods will also have to be sequenced to take account of test environment availability and resolution of defects.

Secondly, the MWHH programme plan does not appear to consider the potential impacts of delays to other competing industry programmes. While the plan includes a milestone reference to the Faster Switching Implementation, this industry programme does not appear to influence timings on the red line critical path depicted in Figure 2. Given that industry and DCC specialist resources are likely to be involved in Faster Switching and MWHH solution design and delivery, we believe this requires further consideration.

The plan details a Migration Period of 12-months, with this activity taking place over the course of 2024. Ultimately migration will be heavily influenced by strategic, policy and technical decisions

taken earlier in the programme, particularly where these decisions impact the configuration or firmware operating on SMETS1 and SMETS2 meter assets installed in customer premises. Figure 2 currently makes no reference to asset readiness, a factor we believe requires further consideration. Given the volume of SMETS1 and SMETS2 meter assets that will be installed by 2024, it is important that the MWHH programme plan takes account of lessons learnt from the SMETS1 Enrolment and Adoption migrations taking place over 2020/21.

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

The Industry groups CCDG and AWG have continued during the period resulting in the market continuing to develop although the CCDG consultation has been delayed. The key to any delays will be the reliance on any other programmes that also require development. It is worth noting that the Faster Switching programme has been delayed by 6 months which may mean the deployment slips nearer to 2022.

**Data access and privacy**

**11. 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.**

Any legal obligation against parties needs to allow some flexibility towards disengaged consumers. There will always be genuine reasons for parties to not be able to obtain data which needs to be reflective in any obligation. This should fall in line with normal Principal based regulation.

The requirement to collect granular data from all domestic premises is likely to impose significant demands on different aspects of the end-to-end smart metering infrastructure. While the DCC have tabled various solutions to different industry forums such as the CCDG and SEC TABASC, it is apparent that each of the proposed MWHH-related solutions will have significant consequential impacts on overall DCC capacity. The DCC infrastructure supports a range of business and time critical activities undertaken by DCC Users on behalf of energy consumers and to meet industry obligations. SMETS2 device alert issues have consumed significant levels of available DCC service capacity over the course of H1 2020, placing strain on key elements of the end-to-end DCC infrastructure. E.ON believes that the DCC must definitively demonstrate that their infrastructure design proposals protect non-MWHH services utilised by DCC Users, with specific focus on capacity and performance aspects on an enduring basis.

Irrespective of the granularity of data collected from domestic customers, E.ON believes that robust contractual, regulatory and system controls must be implemented by different parties to protect the data in transit and at rest. A central data solution offers significant benefits, but it is likely to be viewed as a target by malicious third parties. If implemented, a central data solution may also be subject to inappropriate use by authorised parties, meaning that controls must be enforced and robustly operated.

We feel it is worth noting that the DCC and various service providers will be up for procurement during 2022 – 2024.

**12. 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.**

The new TOM should provide better profiling of end consumers allowing for overall more accurate settlements. This level of granularity of data in the NHH Market would support this requirement but as there will no longer be any profiled data then monthly granularity will not allow Suppliers to forecast and balance volumes suitably. We feel this is a requirement that should be mandated to support the release of benefits to the market.

**13. 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.**

An approach utilising a website operated by a recognised third party appears reasonable and we believe this is likely to assist with the delivery of consistent MWHH and data sharing messaging to energy consumers. The choice of third party is clearly critical, and we believe the organisation must be easily recognised and trusted by energy consumers.

Irrespective of the third party chosen, suitable contractual and system controls must be implemented to robustly protect the data relating to energy consumers. These controls must protect against the extraction and use of the data for other purposes, given this would likely undermine consumer trust in the MWHH programme and smart metering in general.

To provide additional insight we would like to recommend a review of the costs associated with the Smart Meter engagement “Gaz & Leccy” and the benefits this delivered.

### **Consumer impacts**

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

We have found through Customer Immersion sessions that there is a growing focus and motivation for customers to save carbon. Our Customer immersion sessions held over the last 12 months has identified that customers see a role for energy suppliers to educate them around their carbon impact, and how to reduce it. It is potentially more emotionally engaging for certain groups of customers than simply saving costs, but it is a growing consideration for many, and any cost savings should also be expressed as carbon savings.

We also feel a review for the access TCR regarding load shaping capabilities should be carried out to understand the impacts on NHH and HH costings.

**15. 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.**

Consumer engagement needs to be managed through this migration to ensure we limit customer distrust in the market and encourage their engagement.

Within the paper there are several references to adverse customer impacts, which we believe is referencing costs/bills which may impact peak users. Customers will still have to opt in to tariffs or services with ToU profiles in which case high peak users may choose not to do so. Where some of these high peak users are already on SVT this will only create additional inertia, and strong incentives will need to be created for them to engage.

## **Programme management**

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

We agree with the proposed approach.

### **17. 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.**

Based on the evidence presented in the consultation document, each option proposed appears credible.

Reviewing the consultation document, it is apparent that the DCC have a range of roles in the delivery of MHHS solutions and services. There is considerable recent evidence of the DCC being unable to deliver solutions according to their own committed plans and deadlines. As DCC Users are directly impacted by the delivery and operational performance of the DCC and its Service Providers, delays to their key programmes and solutions impose cost, impacts and risks on to DCC Users.

Given that MWHH solutions will be considerable and far-reaching, we assume the risk of DCC delivery delays to be very likely, especially given the other large industry-wide programmes that the DCC is supporting in the 2020-2025 period. Where delays to the delivery of MWHH solutions materialise, DCC Users cannot be expected to fund the associated cost overruns.

It is essential that DCC are required to commit to realistic MWHH delivery plans, which take account of other industry programme demands and include suitably justified levels of planned contingency time for critical path activities.

Ofgem need to also consider and include the time and costs associated with parties having to qualify or requalify to participate in the new TOM. Additionally any Programme Management being undertaken by any party needs to be included in costings.

E.ON would welcome further detail on the precise approach chosen once a decision is taken by Ofgem and we need to ensure clarity of the value this programme is delivering alongside other programmes such as Faster Switching and clarify that benefits are not double counted.

We would ask that Ofgem also consider the impacts on parties of having a Programme Manager. Although we agree that this may be beneficial to have some focused responsibility for the Programme deliverables and independent oversight, as reflecting back on project Nexus we saw additional industry costs because Xoserve were stretching themselves to both deliver and manage large parts of the Nexus Project.

We feel that any additional costs associated with messaging and engaging with consumers needs to be included in the costings plan.

## **Other**

### **18. 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 believe that costs need to be clearly defined and we would like to see how these costs will be integrated into the Price Cap allowance.

It is clear that most direct costs are being included however, it's the indirect cost to Suppliers which are not being included.

Many of the costs associated with MWHHS are attributed to Suppliers despite benefits cited (see page 51 and 81 of the Impact Assessment) being weighted more heavily towards other participants such as generators, network companies and the ESO.

Although we accept that Suppliers have the potential to benefit from MWHHS with the introduction of time of use tariffs (for example), we are of the opinion that cost allocation should be shared more broadly with implementation and operational costs passed onto all parties benefiting from the change.