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London, E14 4PU
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14 September 2020

Dear Anna

Response to Ofgem's Electricity retail market-wide half-hourly settlement consultation

Thank you for the opportunity to respond to the above consultation on the programme and impact assessment for the market-wide half hourly settlement (MHHS) reforms. Northern Powergrid remains fully supportive of the settlement reform programme to maximise smarter energy system benefits from the roll out of smart meters. We also continue to be directly supportive of the programme through our membership of the Design Advisory Board. The key points of our response are set out below:

- We agree that micro-export should be settled half hourly for wider electricity system benefits and as a contribution to future data to support smarter distribution networks.
- We recognise that decisions from the access and network charging reforms SCR (including the resulting billing arrangements) will be a key factor in the specification of the interface between the Target Operating Model (TOM) and the DNO's systems.
- There may be timing and resource pinch points in the early part of the programme plan due to the timing of decisions on network charging reforms and overlaps with the faster switching programme. We appreciate that the programme is being reviewed.
- Annex 1 to this letter is our non-confidential response to the consultation questions.
- Annex 2 is confidential and is not for publishing.

I hope you find our response helpful and I will be happy to discuss any aspect if Ofgem wishes to.

Yours sincerely

C Allanson

Chris Allanson
Commercial Manager – Industry Governance

NORTHERN POWERGRID

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Annex 1: MHHS IA consultation feedback form – Northern Powergrid

This annex is non-confidential

Feedback Form

Electricity retail market-wide half-hourly settlement: consultation

Please send this form to HalfHourlySettlement@ofgem.gov.uk once completed.

As noted in the consultation document, no deadline for responses is being set at this time. When we set one, we will publish an update on the Ofgem website, and give at least 10 week's notice.

Organisation: Northern Powergrid

Contact: Chris Allanson

Is your feedback confidential? NO YES

Target Operating Model (TOM)

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.

Yes, we agree.

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

Yes, we agree.

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.

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.

Yes, we agree.

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.

Yes, we agree, however we have nothing to add in respect of the financial certainty for BSC parties, including suppliers.

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.

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, we agree.

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.

While we are comfortable with an overall transition period of 4 years we have concerns about the front-end of the programme and in particular the timing of the 'Registration system changes design and build' part of the plan (the green row on the program plan in Figure 2 of the consultation) our concerns are in two parts.

Our first concern is around resource pinch points and timing as our relevant company specialists and those of our service providers may still be involved in the system implementation for the Faster Switching programme in 2021 (when 'Registration system changes design and build' is planned to start). However, we note the potential for some movement within the early part of the plan.

Our second concern is in respect of the timing of outputs from the Access and Forward Looking Charges programme (Access reform). We note that the final detailed specification for data items for the TOM/DNO interface will be driven by Ofgem's final decisions on Access reform, the timing of those decisions, the associated code modifications and the resulting new tariff and billing features. It is difficult to see how that specification could be locked down to coincide with the 'Registration system changes design and build' phase to start at January 2021 as currently indicated. We note that Figure 3 in the consultation, the 'Related programme timelines at the time of analysis' helpfully identifies the key milestones for the Access reforms.

We appreciate the value that will be created by Ofgem's new Implementation Workstream (as described in the very useful webinar on 26 August 2020) and we also appreciate that the programme timings will be refined further. For the next level of granularity for the settlement reform programme plan it may be helpful to have separate line in the plan for 'Registration changes specification' in addition to the 'Registration system changes design and build' line.

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.

Our organisation, as a DNO, has been identified specifically within the plan (the green row on Figure 2 of the consultation). We have concerns regarding the early part of the plan, but not necessarily about the overall transition period, please see our answer to Question 8 above. We appreciate that there is ongoing work on the detail of the implementation plan.

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

We have been working with our service providers throughout lockdown on the systems to support the Faster Switching programme i.e. to deliver against programme milestones; however we understand that some industry parties have been allocated some movement within the switching programme plan for to COVID-19. If switching programme implementation slips so that it significantly overlaps with the settlement reform implementation plan this may create a pinch point on specialist resource. Please see our answer to question 8 above.

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.

Yes, we agree that the collection of data with daily granularity is a proportionate alternative to half hourly granularity for domestic consumers who have opted out.

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.

Collection at daily granularity seems prudent and proportionate under these specific circumstances, although we have no specific evidence to provide in support of our view.

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.

We believe that suppliers are best placed to respond to this question.

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 previously highlighted the evidence from our Customer-Led Network Revolution innovation project. Customers are happy to respond to signals when they can. We have no specific additional evidence to add.

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.

We agree with the six headline issues that Ofgem has identified for its analysis of MHHS in respect of future consumer impacts (educating and empowering consumers, using communication tools and technology to influence consumer usage behaviour, offering consumers increased choice, the role of third party intermediaries, consumer protections and community-based solutions). We also agree that addressing these issues could help optimise consumer benefits and progression to a more flexible energy system (as key deliverables from the smart meter rollout).

Programme management

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

Yes, we agree overall, however we have some concerns and observations on specific aspects of the delivery functions. Please see the separate confidential annex to our response.

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.

We support the Programme Manager being an industry party with direct accountability to Ofgem; Ofgem could step in and be more hands-on if problems arise. We also support the 3 roles identified, however we have specific observations in the separate confidential annex to our response.

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 think the impact assessment is thorough in its scope and content and we have nothing to add in terms of additional evidence.