

Feedback Form

Electricity retail market-wide half-hourly settlement: consultation

The deadline for responses is 14 September 2020. Please send this form to HalfHourlySettlement@ofgem.gov.uk once completed.

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Is your feedback confidential? NO YES

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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. We feel that this will provide more flexibility in how the industry uses settlement data. The benefits of this will materialise in new ways to charge for our networks and settle the system as well as better system visibility and understanding. In the coming years we believe we need to develop more dynamic and locationally granular cost signals to drive a smart system. We also believe a rethink in how we settle energy at a local level will lead to better local balancing and optimisation. By getting data in non-aggregated format we maintain the optionality to charge and settle in new and innovative ways in future.

That said, if Elexon are responsible for processing and storing data at a per customer per half hour level strict controls need to be in place to avoid misuse or sharing of that data with third parties. Customer level data will contain not only sensitive personal information but also commercially sensitive information. For instance the response of customers to smart tariffs is commercially sensitive to the companies investing in developing these tariffs.

We would hope to see some sort of licensing or qualification and vetting of third parties looking to access settlement data with a clear justification of what they are using it for.

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.

We have no strong views on this.

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.

We have no strong views on this.

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.

We have no strong views on this.

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 firmly believe including export MPANs in the MHHS process is the right thing to do. It would be a wasted opportunity not to include them. Including domestic export MPANs in settlement is a key part of enabling organic revenue from domestic generation and domestic storage and V2G technologies. The current spill creates distortions in settlement through the GSPCFs. Including export MPANs in HHS will also add to the visibility and forecasting of small scale local generation for networks.

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

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 would prefer to see a shorter transition with more emphasis on iterative development and less development time. We believe that this kind of industry changes are best done as a pull not a push. I.e. the fastest moving companies pull the slower ones along through competitive tensions rather than everyone being pushed at the pace of the slowest.

We think by getting to a minimum viable product MHHS system sooner and getting the faster moving and more technological suppliers to integrate first we can simultaneously de-risk the project for those coming later as well as rewarding the faster suppliers for their role in testing and developing the system.

Emphasis should be placed on trying to get those companies doing elective HHS (and willing to participate) to get onto the MHHS system as soon as feasibly possible in order to stress test the system and iron out bugs.

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.

See answer above.

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

None from an Octopus perspective.

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.

We believe that daily granularity is a sensible fall back from half hourly for those with functioning smart meters. We strongly believe that the collection of the daily data should be done by the supplier or balancing responsible party as opposed to by Elexon. This will avoid the creation of whole new systems and data pathways that are duplicates of the existing pathways and processes.

Different arrangements will need to be in place for those unable to have or choosing not to have a smart meter. In this case collecting data at a daily level would be unfeasible. Even collecting data at a monthly level for those without smart meters would cause large operational challenges.

It is important that opting out of HHS cannot be gamed (e.g. non HHS import MPAN and a HHS exporting MPAN playing arbitrage).

Further, in line with the live Smart Meter roll out programme, we believe the move from the current opt-in model to the proposed opt-out model should be expedited. This will ensure a better customer experience for any future smart installations and less customers disrupted, whose opting rights are to be changed.

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.

Yes

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 a website or webpage hosted by Ofgem or someone like Citizens' Advice would be good place for customers to get an impartial view of how data sharing works.

We feel this should be lightweight and low cost (piggy backing on existing portals today).

We believe this should be generic and not specific to a consumer (i.e. you can't look up your own permissions here, you can just read about them generically). This is because managing customer identity here would be a challenge and require further customer account sign-ups and authentication.

Coordinating with other sources of information for consumer data privacy may be a good quick win in this space.

Consumer impacts

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

Yes – we include a pre-release version of our Agile report with this response. This report should be treated as confidential and commercially sensitive and as such is for use by the Ofgem HHS team only.

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.

Through our Agile and Go tariffs we have learnt that:

- Low carbon technologies like EVs and Heat pumps are a key enabler for customers getting engaged in smart and ToU tariffs as they can relate more closely to the p/kWh figure. This is analogous to people knowing the price of petrol at the pump.
- Customers understand, engage with and react to clear price signals (however granular and dynamic)
- Giving customers clear feedback on how well they are optimising allows them to adjust their behaviour accordingly
- More and more customers are using automation to respond to price signals thus removing a lot of the friction of manual behavioural change. We see this becoming the norm.

We believe:

- Retailers are best placed to find the optimum ways to communicate with customers and develop new propositions
- Stipulating smart tariff design or smart propositions like heat as a service will stifle the innovation going on in the market
- Ofgem need regulate the customer outcomes and not prescribe how retailers relate to their consumers through things like bill templates
- Whilst distributional effects must be considered, this should be treated separately from the design of the settlement and price signals that drive the smart system. An efficient, dynamic system will save the whole consumer base more money overall, some of which should be used to treat those who cannot afford it or participate through targeted social policy

We think the evidence shown in Baringa's report on DSR using Octopus data included in this response should be taken into account in the impact assessment and consumer impacts report as it addresses some of the key uncertainties highlighted in the report.

Programme management

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

Yes

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 believe Elexon would be a good candidate for the PM/SI role. We believe that to deliver good tech and system change projects you should minimise the number of interfaces. Adding a third party in would create another interface to manage and increase the complexity of the project. A good PM/SI for this project should:

- Have a deep understanding of the domain and existing processes
- Have good relationships with industry participants with whom they will be delivering the project
- Have experience administering and engaging in industry code changes

In our view, Elexon fulfil all of these criteria. Ofgem should provide the scrutiny and strategic guidance on how the programme is progressing and supporting the transition to Net Zero.

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?

As mentioned above, we believe that letting the faster suppliers move to the new system quicker has mutual benefits for the project by de-risking the migration and encouraging other suppliers to move faster as well.

We would urge Ofgem to take the opportunity to consider the synergies and opportunities between the changes encompassed in MHHS and the ongoing reforms in the SCR, TCR and faster switching. MHHS provides an opportunity to redefine the industry data model in a way that can enable much more dynamic, sophisticated and true to physics ways of charging for our networks and electricity system. For instance the addition of new data items that reflect the physics of the system (e.g. import/export, connected feeder, charging group) could be introduced to give much more flexibility for charging arrangements in future. The current approach appears to be siloed with individual reforms limited by their own scope. As such suboptimal solutions appear to be coming to the fore and duplicated thinking is going on across reforms. For instance, our current approach of lumping everything into the LLFC is not fit for a smart system and taking us down the wrong road. We would be happy to engage with Ofgem to discuss this in more detail.