

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

SSE plc
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

07810 858716
mark.jones@sse.com

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Sent by e-mail

Dear Anna,

Re: Electricity Retail MHHS Consultation

SSE Energy Supply Limited is largely supportive of the MHHS Project and its aims. We also believe that the correct target operating model has been selected and are looking forward to being involved in future industry discussions in order to develop the detailed requirements further. However, we do have a number of concerns with aspects of the project.

We consider that a 2025 go live (as mentioned at the recent Ofgem Settlement Reform Event) is too early as the project assumes that the smart metering rollout will be complete and that EV adoption will be at a mature level. There is also the ongoing Covid-19 situation, the full effects of which will not be known for some time, but which already has resulted in significant delays to other projects within the energy industry. We also believe that the likely levels of customer engagement have been overstated, but this in itself is not a reason for the project not to go ahead. The impacts of other measures being implemented for the Network Charging Reforms, which will be implemented prior to the MHHS project, may lead to some changes in customer behaviour which will further lessen the effects on customers of MHHS. However, even with a reduced level of customer impact, we believe that the benefits to the industry of more granular and accurate settlement data are strong enough for the project to go ahead at the appropriate time.

We strongly believe that shortening the periods of the various settlement runs to those suggested within the consultation document is too extreme a measure, especially at the implementation date, and that the current settlement run timescales should be maintained at go live with a view to gradually reducing them over time based on evidence of improved data quality entering settlements in a shorter timescale, which is one of the key aspirations of the project. When Project Nexus was implemented in the gas industry in June 2017, it was done so with the existing settlement timetable in place, with a view to reducing it after a successful implementation and evidence of improved data quality. However, more than 3 years on there have still not been any initiatives within the gas industry to reduce the timetable and it remains with a settlement 'line in the sand' of 3 to 4 years. Also, whilst not specifically part of the project, it may be an opportune time to review the current dispute process within the electricity industry, with a view to

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streamlining it. This may aid a reduction of the settlement timescales, as a better process may be able to accommodate an increase in the number of disputes.

We suggest that the decision to have a transition period of a year should be reviewed by an appropriate working group. Under Project Nexus there was a hard cutover to the new arrangements on 1st June 2017, and whilst not without its teething problems, the hard cutover largely worked well. The proposal of a cutover period of a year will require the industry to maintain 2 settlement systems, and whilst we had initial concerns that there may be complications with customers being moved multiple times between the old and new arrangements at change of supplier, it was confirmed at the recent Ofgem Settlement Reform Event that once MPANs have migrated to the new arrangements they will not be able to move back to the old arrangements. However, we see this as a cause for concern, as some customers, through no fault of their own, could be prevented from changing to their chosen supplier for almost a year if some suppliers migrate to the new systems much faster than others. Furthermore, erroneous transfers could potentially result in some customers being blocked from going back to their chosen supplier for a significant period if they are erroneously registered into the new arrangements. Some suppliers will undoubtedly move to the new arrangements at different speeds to others.

We strongly support Ofgem's view that data within the new systems should be at the most granular level as possible and that export MPANs should be migrated at the same time as import MPANs.

We have set out a more detailed response to Ofgem's proposals in Annex 1 and we look forward to discussing our views further with Ofgem in due course.

Yours sincerely,

Mark Jones
Regulation Manager

Annex 1

Target Operating Model (Chapter 3)

Question 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?

SSE Energy Supply Limited agrees that MHHS should be introduced on the basis of the TOM as recommended by the Design Working Group.

Question 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.

SSE Energy Supply Limited agrees that this data should be sent to the central settlement services in non-aggregated form. This will ensure that the half-hourly data collected remains at the most granular level and will ensure maximum settlement accuracy on a half-hourly basis.

Settlement Timetable (Chapter 4)

Question 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.

SSE Energy Supply Limited believe this is a significant change. It speeds up the settlement to bank process, but it puts more pressure on suppliers to resolve issues quicker and where this relies on agent performance it can be challenging.

Shortening the SF Run is likely to create bigger swings between settlement runs and an increase in investigatory / query resolution time. For example, the party responsible for data collection may not have enough time to attempt multiple redials and get the data into settlements within the proposed SF timescales.

We believe that the timescales for the SF run should be reduced carefully in stages following 'go live' and be monitored for data accuracy, with an aspiration to eventually get down to the 5-7 working days timeline.

Question 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.

SSE Energy Supply Limited believes that 4 months is likely to be too short for MPANs in remote areas where issues can often take longer to resolve.

SSE Energy Supply Limited has experience of sites, including some very large ones, where it has not been possible to get a meter reading within a 4-month period, all of which would potentially involve the disputes process in the future. We are also concerned that a much shorter timescale for the RF could lead to disincentives for supplier to obtain meter readings in some cases as some estimated data in the RF may be significantly lower than the actual data would have been.

We believe that the timescales for the RF run should be reduced carefully in stages following 'go live' and be monitored for data accuracy, with an aspiration to eventually get down to the 4 months timeline. Without this phased approach there could be a significant increase in settlement disputes leading to a big administrative cost within the industry.

Question 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.

SSE Energy Supply Limited believes that the biggest expected impact will be on the larger sites with a DF run at 20 months as some metering errors may not have been detected by this date. As part of the project we feel that the current disputes process will need to be reviewed and scrutinised to ensure it is effective and efficient for a shortened timeframe, and the numbers and materiality of disputes raised each month.

The principle of the ratcheting up of materiality thresholds could work as this would potentially still catch the larger issues. However, we believe that the timescales for the DF run, including the ratcheted materiality proposals, should be reduced in stages and be monitored for data accuracy, with an aspiration to eventually get down to the 20 months timeline and the ratcheted materiality proposals described in chapter 4.

Export-related meter points (Chapter 5)

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

SSE Energy Supply Limited is fully supportive of the proposal to introduce MHHS for both import and export-related MPANs. Including export-related MPANs will ensure that the data from these is treated at the lowest level of granularity and will make half-hourly settlement more accurate.

Question 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.

SSE Energy Supply Limited agrees that the transition period should be the same for import and export-related MPANs. Aligning both transition periods will make delivery simpler and will prevent any need for tasks and processes having to be duplicated.

Transition period (Chapter 6)

Question 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.

SSE Energy Supply Limited largely does not agree with the 4-year timescale, due to the delay mentioned in our response to Question 10 below for the Covid-19 pandemic and also due to the reasons mentioned in our response to Question 15. Furthermore, we believe that the 1-year migration period should be considered further and that a hard cutover along similar lines to that undertaken within the gas industry for Project Nexus may be more appropriate. This would negate the need to run two systems for a year and eliminate customers being potentially blocked from transferring to their chosen supplier if they are registered into the new arrangements by their current or a previous supplier. We see this as being a temporary detriment to competition.

Question 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.

SSE Energy Supply Limited is not in agreement with the high-level timings set out for the transition to MHHS, but which we now believe should be subject to the points made in our response to Question 8 above and the delay mentioned in our response to Question 10 below.

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

Currently, we believe that the ongoing COVID-19 pandemic will delay the MHHS project by at least six months which is in line with delays to other large industry projects such as the Ofgem Switching Programme and Smart Meter Rollout. However, due to the ongoing nature of the Covid- 19 pandemic, a delay of more than six months is entirely possible. In the absence of extending the timelines further, we consider that the Programme will need to remain flexible to the prospect of extending individual milestones or enabling supplier derogations where suppliers can evidence any delays are caused by unforeseen circumstances. We are also concerned that potential delays to other large industry projects, such as those mentioned above, could result in a resource issue with suppliers having to manage multiple large projects for an extended period.

Data access and privacy (chapter 7)

Question 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.

SSE Energy Supply Limited agrees that this is an appropriate approach. Data at daily granularity will ensure that settlement accuracy is not further compromised from half hourly data, which would be the case if data was collected at a less granular period than daily.

Question 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.

SSE Energy Supply Limited is fully supportive of data being collected at daily granularity for all customers that have opted-out and we feel it is proportionate for data to be collected at this level in order to make settlements as accurate as possible.

Question 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.

SSE Energy Supply Limited is supportive of such a communication method. We feel that it should be available on the Ofgem website as most consumers are familiar with Ofgem and only a small minority of consumers outside of people engaged within the energy industry would have heard of other industry players who could perform this role.

Consumer impacts (Chapter 8)

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

As SSE Energy Supply Limited does not supply domestic customers we do not have any evidence to help with the load shifting assumptions made in the Impact Assessment for domestic customers. We do not have any evidence that would assist in the assumptions made for smaller non-domestic customers. However, our view is that customer behaviour will not be as reactive to price changes as is assumed in the Impact Assessment and that the load shifting assumptions have been overstated. Also, it is difficult to assess any load shifting assumptions made in isolation for MHHS without knowing the impacts on customer behaviour of other charging changes such as the Network Charging Reforms.

Question 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.

SSE Energy Supply Limited believes that the consumer impacts have been overstated and that there will not be the anticipated levels of activity around the four key areas namely customer engagement, load shifting, technology and, tariff and charges as detailed within the document. Also, we believe that a number of the perceived benefits such as those around EV charging and the decarbonising of the energy networks, including the electrification of heat, only have the potential to be realised in a ten to fifteen-year timeframe rather than the approximate five-year timeframe currently being assumed for the implementation of MHHS. Therefore, whilst we agree with Ofgem that the decision is 'how and when, not whether, to introduce MHSS' we consider that the benefits of going live in 2025 are, therefore, overstated and that this should be considered when reaching the final decision."

Programme Management (Chapter 9)

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

SSE Energy Supply Limited agrees that the appropriate delivery functions have been identified to implement MHHS.

Question 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.

SSE Energy Supply Limited is of the view that the Programme should be managed by Ofgem, consistent with the latter stages of Project Nexus. We agree it should not be managed by an industry party that is integral to the delivery of the changes that also has Programme management responsibilities for the reasons outlined by Ofgem in Chapter 9. We also agree that the project should be funded along current funding arrangements as recommended within chapter 9.

Other (Chapter 10)

Question 18. Do you have any comments on the draft Impact Assessment published alongside this document, or any additional evidence that you think we should take into account?

SSE Energy Supply Limited believes that for the MHHS project to be successful a high level of smart meter penetration is required in both the domestic and SME markets. Given the current levels of smart meter

installations, and the lack of a mandated approach in the non-domestic sector, there is a significant risk that the required critical mass will not have been installed in time for the MHHS project to be delivered successfully by mid-2025. Our response to Question 15 illustrates our concerns with the project timeline.