

CONSULTATION ON THE DWG'S TARGET OPERATING MODEL FOR MARKET-WIDE HALF HOURLY SETTLEMENT

CONSULTATION RESPONSE TEMPLATE

Respondent Information		
Name of Respondent	Rachael Anderson	
Name of Company	Utilita Energy	
Type of Company	Supplier	
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Confidential Y/N	N	

Please email your response to dwgsecretary@elexon.co.uk by 5pm on Friday 15 March 2019, using the subject line 'DWG TOM consultation response'.

Please use this Word response form where possible, to make it easier for the DWG to identify and summarise views. To help the DWG understand your response, please provide supporting reasons for your answers.

Please mark clearly if any aspect of your response is confidential. Any information marked as confidential will not be published by ELEXON or considered by the DWG, but will be shared with Ofgem. We encourage you to provide non-confidential responses where possible to inform the DWG's discussions.

Who can I contact with any questions?

ELEXON's MHHS team will be happy to help. Please email them at dwgsecretary@elexon.co.uk.

How do I link the consultation questions to the report content?

The basis for this consultation is the DWG's report to Ofgem on its recommended TOM.

Below we show which sections of the DWG's report contain the information relevant to each consultation question.

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Question 1	Do you agree with the DWG's recommended TOM as a basis for delivering Market-wide Half Hourly Settlement? <i>Please list any elements that should be changed or improved.</i>
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Relevant report sections: Executive Summary, Introduction, Section 2 'Scope, design approach and the future role of the Supplier', Section 5 'Overview of the DWG recommended TOM', Section 6 'Service Overview (Summary Guide)', Attachment A 'Detailed TOM Service and Data requirements'

Answer: Yes, in part

Overall, we believe the DWG's recommended TOM provides for an efficient Meter to Bank process however we have concerns if it is mandated that the retrieval and processing services under the Smart Meter Data Service are to be combined and should be undertaken by a single organisation/service provider. Although we appreciate the TOM's design is trying to reduce the number of hand-offs within the process and therefore the opportunities for exceptions to arise, we believe this could introduce more costs and challenges to suppliers.

Combining of the two services would lock Suppliers into a single service provider which can lead to higher costs. It would also force Suppliers who have contracted with a service provider to undertake the Smart Meter Data Service, to provide real-time and accurate updates on customer's consent to data access to prevent breaches with customer data. We believe this is a larger risk than having a further hand-off in the process which can be mitigated against.



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Question 2 Do you agree that the DWG has identified the correct TOM, taking into account Ofgem's 'least-regrets' policy steers?

Relevant report sections: Section 1 'The Vision', Section 3 'TOM Design Principles and Strategic Objectives', Section 4 'Ofgem policy development', Attachment B 'DWG's development of the TOM'

Answer: Yes, assuming arrangements are implemented more in line with the assumed target end state

We understand the TOM has been designed based on a target end state which includes:

- most meters will be HH data capable,
- most customers would have not opted out of providing access to HH data; and
- of those customers who have opted out of providing access to HH data, the majority have meters that are capable of sending daily read data.

Where this is not the case, the benefits of the new arrangements proposed under the TOM are greatly reduced and we would question the expenditure of moving to new arrangements until this has been resolved. For this reason, we welcome further understanding from Elexon and the DWG on what they deem as a significant enough proportion of meters within the market to be HH capable and the proportion of customers that will require to give permissions to allow HH data access to warrant implementing the preferred TOM model.

Question 3 Do you agree that the TOM captures all essential Settlement processes?

Relevant report sections: Section 5 'Overview of the DWG recommended TOM', Section 6 'Service Overview (Summary Guide)', Attachment A 'Detailed TOM Service and Data requirements'

Answer: Yes

We believe the DWG have identified all essential components in a HH meter-to-bank process from a settlement perspective.

Question 4 Do you agree that the DWG has identified all the required data to be processed by the three Data Services (Smart Data Service, Advanced Data Service and Unmetered Supplies Data Service)?

Relevant report sections: Section 6 'Service Overview (Summary Guide)', Attachment A 'Detailed TOM Service and Data requirements'

Answer: Yes

We have not identified any required data sources that are missing from being processes by the three data Services.

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and Question 5

Do you agree that the TOM does not hinder new market entrants, technologies and innovations?

Relevant report sections: Introduction, Section 2 'Scope, design approach and the future role of the Supplier', Section 5 'Overview of the DWG recommended TOM', Section 6 'Service Overview (Summary Guide)'

Answer: Yes, partially

We believe this question is very much dependent on Ofgem's policy decision around settlement period level data access and use. Where there is limited HH data access this will ultimately stifle innovation. Resultantly, consumer propositions will likely suffer where there is a system based on a high proportion of profiling rather than actual granular usage.

We would also like to make the point that whilst we appreciate that change must happen to accommodate more efficiently the wider adoption of HH settlement, the TOM does not prescribe how these 'new' services will be procured/ delivered or how data should be shared across each of the Data Services. This means there will always be an element of risk that the new arrangements incur noticeably increased ongoing costs for Suppliers and new market entrants. However, we would like to believe that competitive pressure would prevent this from being the case.

Finally, this piece of work has seen the introduction of a number of new acronyms and references to 'new' services to a process that has existed for many years. In our opinion this does not help simplify arrangements for new entrants and we would have liked to have seen more use of familiar industry terminology across the report and supporting documents.

Question 6

Do you agree that the DWG's reduced Settlement Timetable is appropriate and achievable in the Target End State? Please identify any constraints that you believe are relevant.

Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'

Answer: No, not yet

Although we agree that the reduced Settlement Timetable seems sensible in a world of smart/remotely readable meters, we are unable to yet estimate what proportion of our portfolio may still be legacy meters or how many of our customers meters have WAN issues. Therefore, we cannot determine the impacts/costs that this will have on our business e.g. in manually collecting the meter reads in shortened timeframes.

We are also aware that the PAB is undertaking a review on the Performance Assurance Framework (PAF) targets. Until we understand what the new targets will look like, there are too many unknowns to be able to agree to the reduced Settlement timetable.

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Question 7	Do you agree with the DWG that participants should be able to correct Settlement Errors after the Final Reconciliation Run through Trading Disputes, and for at least 12 months after the Settlement Day (subject to an appropriate materiality threshold)? <i>Please identify the number of months and materiality threshold you believe are appropriate and why.</i>
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Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'

Answer: Yes, partially

We strongly believe a mechanism is still required to correct Settlement Errors after the Final Reconciliation Run, especially with the shortened settlement timetable. Whether 12 months is the most appropriate timeframe to enable Trading Disputes to be raised is difficult to determine when current performance is likely to be remarkably different.

We would welcome further information being provided in how the DWG concluded that 12 months was most appropriate, and whether a review of other market settlement processes has been undertaken. To minimise risks, consideration should be given to whether the Disputes Final Run timeframe could be kept under review before settling on a final timeframe i.e. whether the timeframe could be reduced over a set period of time following closely monitoring.

Question 8	Do you agree that there are overall cost benefits to Parties from the reduced Settlement timetable? <i>Please identify any enduring cost implications of the proposed timescales.</i>
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Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'

Answer: N/A

As our response to question 7 highlighted this will be very much dependent on what proportion of Suppliers portfolios still have legacy meters or have WAN connectivity issues due to the costs that will be incurred with manually obtaining meter reads.

Question 9	Do you agree with the nine transition principles that the DWG intends to follow when developing its approach?
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Relevant report sections: Section 10 'High level development of transitional approach'

Answer: Yes

We agree with the nine transition principles; however, we would welcome further information on how the DWG intends to assess the application of each principle when developing its approach.

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Question 10 Do you have any views on the areas of design detail for further consideration?

Relevant report section: Appendix B Areas of design detail where the DWG recommends further consideration (Page 19).

Answer: Yes

To prevent the risk of Balance Responsible Parties gaming load-shapes where Ofgem chooses an 'opt-out' policy option for HH data access, we agree it is sensible that the implementation phase of the programme should include a review of how Settlement applies GSP Group Correction to different market segments.

Regarding the DWG's initial considerations around requirements for Registration services under this programme we would encourage the DWG to engage with MRA parties and the MPRS Service Provider as soon as reasonably practical. This will ensure lessons can be learnt from other programmes which have seen a large level of change such as the changes being introduced as part of Ofgem's switching programme.

Question 11 Do you have any further comments?

Answer: Yes (delete as appropriate)

Although we understand that Ofgem's policy decisions around a centralised agent function and access to HH data are being determined separately, both policy areas have considerable implications on the overall cost benefits case for the preferred TOM model. Ofgem must provide clarity to aid industry to determine the true impacts of the proposed arrangements and whether the preferred TOM is the most fitting option available.