

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

CONSULTATION RESPONSE TEMPLATE

Respondent Information		
Name of Respondent	James Murphy	
Name of Company	Stark	
Type of Company	Energy Data and Services	
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Confidential Y/N	No	

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 Any information marked as confidential will not be published by ELEXON or considered by the DWG, but will be shared with Ofgem.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.

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>
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: No	

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There is a lot in the DWG's recommended TOM that Stark welcomes. The segmentation of the market by meter type and the three distinct data retrieval and processing services that underpin each is a sensible approach. Some of the benefits of TOM D have been retained by allowing a degree of optionality within the Smart Data Service (SDS) to procure each of the component services individually. Furthermore, by using actual data from a market-wide sample, the Load Shaping Service is a significant improvement to existing profiling arrangements; providing a mechanism for opted-out customers to be HH settled on a load shape that closely resembles their actual consumption as well as being a useful estimation technique.

However, Stark believes the centralisation of Data Aggregation (DA) and corresponding increased scope of Central Systems in providing the Market-wide Data Service (MDS) is disproportionately intrusive, cannot be objectively justified and with unclear objective. Any decision to centralise services in a competitive market must be based on a market failure problem and accompanied by clear evidence. It has not been demonstrated that the current competitive DA model is an impediment to MHHS nor has an assessment been provided that shows the costs of creating and managing an extended Central System is more efficient than the status quo. Rather, this intervention would create an expanded monopoly and disrupt competition, without any countervailing benefit to consumers. The basis for delivering MHHS should be one that encourages innovation and drives consumer benefits. Through competitive pressure, the existing model can offer greater flexibility and better respond to the needs of an evolving market, in contrast to the likely inefficiency, rigidity and cost of a centralised model.

Moreover, expanding the scope of Central Systems with the MDS introduces another potential single point of failure in overall settlement calculations. This is a significant and avoidable risk that accompanies a delivery model that is intrinsically less resilient than a competitive and distributed DA model. Similarly, there are security risks associated with a centralised DA, particularly if they are to hold a central store of market-wide data, that are yet to be addressed. For instance, unauthorised access could be gained and data tampered with on a market-wide scale.

A further concern for Stark is that the chosen TOM shouldn't preclude an independent Smart Data Service (SDS) provider. The report correctly recognises that the Other User DCC User Role does not have access to all the data required for this Service under the TOM. The Other User role needs to be extended, or a new role created, to support all functions within the Smart Data Service. Without this, competition in agent services will be further harmed under the recommended TOM.

In line with Stark's response to the DWG's consultation on the skeleton TOMs our preference would be for a TOM that preserves competition in the Advanced segment whilst maximising it in the Smart segment. A variant of TOM D with DA outside of Central Systems achieves this. This is because it maximises the potential benefits of competition; efficiency, innovation and quality, in delivering the Settlement arrangements.

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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: No

Stark recognise the challenge in identifying the correct TOM but for the reasons explored in answer to Q1 we are not comfortable with the centralisation of DA and thus do not agree that the correct TOM has been identified. However, we do welcome the fact that there hasn't been any further centralisation of agent roles, which is in line with the least regrets steer from Ofgem.

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

The TOM appears to capture all essential Settlement processes involved in meter-to-bank process.

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

All the required data for the three Data Services has been correctly identified. However, we note that the full set of data requirements for behind the meter settlement is currently undefined and so this may need to be revisited.

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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: No	
<p>The lack of an appropriate DCC User Role to support an independent SDS provider is a hindrance to new market entrants and any technology or innovations they may seek to introduce. Addressing this would be a significant improvement to the TOM and reduce unnecessary barriers to entry.</p> <p>As explored in our response to Q1, centralised DA is likely to be a second-best solution in terms of efficiency and innovation, relative to a competitive model. A centralised body will likely interact poorly with new entrants and be unable to respond effectively to evolving market needs, for example around emerging flexibility offerings. Lack of competition will impede innovation, limit incentives to drive efficiencies and other well-recognised issues with centralised procurement of large IT systems.</p> <p>Furthermore, there is a risk that without the appropriate controls and measures in place, the MDS could leverage its preferential access to market-wide data to move into adjacent markets for value-added services, granting an unmatched advantage that would hinder both existing market participants and new entrants.</p>	

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	
<p>Stark acknowledge and understand the rationale behind bringing the SF and RF runs forward in the Target End State. However, we recommend that the SF Run remains at ~16 WDs to allow a window for manual reads to be collected in the event of a communications failure. All other proposed changes to later Runs appear appropriate and achievable.</p> <p>Additionally, it is difficult to divorce the Settlement timetable from the performance regime (targets and penalties) as this is the ultimate driver of behaviour. Thus any changes to the timetable need to be made in tandem with changes to the performance regime. It may be appropriate for the performance regime to reflect the requirements of different meter segments, for instance, separate standards for Advanced and Smart. This would maximise the potential for supplier agents to differentiate and compete.</p> <p>Lastly, while the DWG have stated that DCC performance/capability should not influence consideration of the new Settlement timetable, the costs of delivery will affect the net benefits gained by changes to the settlement timetable. We explore this in more detail in Q8.</p>	

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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)? *Please identify the number of months and materiality threshold you believe are appropriate and why.*

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

Answer: Yes

No comments.

Question 8 Do you agree that there are overall cost benefits to Parties from the reduced Settlement timetable? *Please identify any enduring cost implications of the proposed timescales.*

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

Answer: No

Stark are mindful that a Cost Benefit Analysis for MHHS overall is yet to be published, let alone for the proposed reduced Settlement timetable. We note that it is very difficult to evaluate the cost benefits to Parties from the reduced Settlement timetable without an understanding of the following:

- DCC baseline capabilities and performance
- The accompanying performance regime

If significant DCC investment is required to support the new Settlement timetable then the business case for reducing timescales could be undermined, particularly as this would be an enduring cost implication. To mitigate the requirement for DCC investment, separate, lower performance targets could be considered for the Smart meter segment. Without knowing the targets and penalties for each Run it is difficult to determine the level of investment required by each party to achieve compliance and whether this is offset by the benefits of faster settlement and reduced credit cover.

As identified by the DWG, a reduction of the overall timetable is likely to cause an increased number of Trading Disputes, which will have associated increased costs. Where a defect prevents commissioning, Meter Operators have an 80 WD timescale to resolve the defect and then complete commissioning¹. This abuts with the proposed RF Run at 4 months and could exacerbate the increased occurrence of Trading Disputes.

¹ BSCP514, 5.2.2.A.7, p32

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Question 9 Do you agree with the nine transition principles that the DWG intends to follow when developing its approach?

Relevant report sections: Section 10 'High level development of transitional approach'

Answer: Yes

The nine transition principles listed will help ensure an efficient migration to the TOM and limit unintended consequences. Stark believes three factors are particularly important for the transition. First, that it is not rushed. Second, that any phased approach is properly monitored and enforced. Third, that suppliers communicate any changes in their migration plan to the appointed agents. Lack of communication in this area was a significant issue in P272 and should be avoided here.

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

Consideration of the underlying system Architecture for the TOM should avoid further monopoly extension and not be used as a vehicle to expand the scope of Central Systems beyond core settlement. Existing systems that have already had significant investment should be leveraged as far as possible to keep costs to industry low.

Suppliers should not encourage their customers to opt-out of MHHS – it is conceivable that this becomes a supply licence condition. As such, we expect the issue described around potential gaming of the load shapes will be small and may not warrant a solution, particularly at this stage. If it proves to be commonplace, then the proposed application of TOU Scaling Weights in GSP Group Correction can be revisited.

Using the Registration service as a single source of truth for service appointments would reduce appointment related exceptions that originate with the Supplier. However, the practical application of this proposal needs to be better understood before proceeding. Factors like responsibility and timescales for notifying changes to MPAS under this arrangement, such as when a customer wishes to appoint their preferred agent, should be clear and unambiguous to avoid unnecessary exceptions.

Question 11 Do you have any further comments?

Answer: Yes

To reflect market developments around TERRE and Wider Access, the TOM should be able to support behind the meter settlement as well as settlement at the boundary point. It may be possible to represent this visually on the TOM diagram by showing that they would share the same Services/Processes within the Advanced segment. The DWG should keep apprised of the progression of modifications like P375/6 and P379 to make sure the proposed

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solutions can interact correctly with the recommended TOM.