

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

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: Yes with caveats	
<p>Siemens is broadly supportive of the TOM but believes that there are critical points of clarification that need to be brought out.</p> <p>One area of clarification would be appropriate reflection of recent developments within the industry, particularly in relation to behind the meter. Such developments are visible through Modifications for 'Settlement of Secondary BM Units using metering behind the site Boundary Point' (P375) or 'Enabling consumers to buy and sell electricity from/to multiple providers through Meter Splitting' (P379).</p> <p>Siemens acknowledges that there are some areas of settlement that would logically benefit from centralisation. However, we believe that clear boundaries should be set here from the outset and clear signals sent to the market that competitive environments will exist for smart data services, thus facilitating a cost effective and timely transition to the Smart Grid.</p> <p>We outline a revised TOM which builds on the sound foundation developed by the DWG, whilst addressing industry developments and the importance of striking a careful balance between centralisation and competitive markets in our reply to Question 10.</p> <p>Siemens believes that its proposals are aligned with the rationale that has been used to develop the current TOM and are consistent with the nine principles which the DWG are adhering to.</p>	

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 with caveats	
<p>As outlined above, Siemens believes that the current TOM provides a solid foundation, but needs some specific points of clarification in order to acknowledge industry developments and strike an effective balance between competitive and non- competitive markets.</p> <p>Whilst as a Supplier Agent, we would naturally favour the maintenance of Half Hourly Data Aggregation as a competitive activity, we recognise that this has potential for consolidation and that there are wider considerations that need to be focused on.</p>	

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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: No	
<p>Siemens believes that points of clarification need to be made for emerging behind the meter activities and associated flexibility services which will become increasingly important to settlement in the future.</p> <p>Siemens also believes that there should be a clear demarcation between competitive and non-competitive services. Data Aggregation and a central Data Lake have been recognised as offering the greatest potential and they should be singled out accordingly, sending clear messages to a market looking to facilitate innovation.</p>	
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: No	
<p>Siemens believes that behind the meter data services should be explicitly acknowledged as a point of clarification. These metering or measurement devices will be distinct from smart meters, advanced meters and unmetered devices. Siemens has acknowledged these assets and associated data services in our revised TOM proposal found in our answer to Question 10.</p>	
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>Siemens believes that the TOM needs to more clearly demarcate between competitive markets and non-competitive markets. Behind the meter assets and associated services offer considerable potential in the market and these activities need to be singled out, along with boundaries placed around the data services to be centralised.</p> <p>Siemens believes that this TOM should not only encourage prospective new entrants such as technology providers and car manufacturers, but also the organisations that are going to help them enter the energy market.</p>	

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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: Yes – with caveat	
<p>The II run is cited as highlighting CVA issues. As such it may be argued that the reduced proximity to SF is immaterial as it is used for a different purpose. However, if SF was at 5 WDs then Siemens would suggest that it was logical to use the run for both purposes and reduce the overhead on Agents.</p> <p>Siemens agrees that SF before 10 days brings problems for HHR. Even 10 days would require contractual changes with read agents to move from a weekly read cycle to daily. For example, if a meter fault develops on a Thursday, a D0001 is raised on the following Monday, this is added to the HHR list which goes out on the Friday and a visit takes place the following Friday, we are at 12 working days.</p> <p>An SF run will be significantly less accurate in relation to how far you move it forwards. Removal of the later reconciliation runs and shortening of the settlement period will mean that many flows currently received from suppliers will not be enacted and settlement will become more inaccurate. Disputes will arise and this is potentially costlier as they demand manual intervention.</p> <p>If suppliers were to change practices and recognise changes earlier, issue flows in the required format and with all prerequisite flows, then much of the disbenefit could be averted. However, there is nothing that Siemens has seen which indicates that suppliers would be able to respond in that way.</p>	

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>
Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'	
Answer: No	
<p>As above, disputes take manual intervention as we have to trigger specific runs and this is more resource intensive than automated calendar based runs. If we have a scenario with multiple disputes running at any given time then we have a net disbenefit by creating an industry to support them and effectively still running the latter runs, just under a different name.</p>	

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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>
Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'	
Answer: Yes	
Siemens believes that benefits will be limited to energy suppliers through requiring less credit cover to address potential future liabilities. Wider benefits in the industry would be modest, including reduced IS requirements for data storage.	

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	
Siemens is broadly supportive of the principles.	

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	
<p>Siemens believes that the following areas of design detail would make worthy improvements to the current proposal, addressing key market developments, recognising logical areas of centralisation, whilst encouraging innovation.</p> <p>Key considerations:</p> <ol style="list-style-type: none">1. Acknowledge the role of behind the meter assets, their future importance in settlement and industry progress in areas such as meter splitting2. Be prescriptive about the logical data services that are being centralised - more specifically Data Aggregation and the Data Lake – and the need to facilitate innovation in other smart data services through competitive markets3. Acknowledge the wider access to the Data Lake, assuming consumer authorisation4. Recognise the current and future role of Flexibility Services, which will need to play a role in settlement and which will deliver on the Industry's commitment to a Smart Grid	

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

These proposals are reflected in a revised design attached here.



Siemens_Revised_TO
M_proposal_FINAL.pdf

Question 11 Do you have any further comments?

Answer: Yes

Siemens believes that its proposals for revising the current TOM are aligned with industry developments and will send clear messages to a market looking to plan and support the transition to a smart grid. We would welcome the opportunity to discuss our proposals with Elexon and OFGEM further.

Siemens also believes that due consideration needs to be given to the timeliness of change and the competitive market's ability secure confidence in the emerging industry landscape.