

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

## CONSULTATION RESPONSE TEMPLATE

Respondent Information		
Name of Respondent	Paul Farmer	
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Type of Company	Supplier	
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Confidential Y/N	N	

Please email your response to [dwgsecretary@elexon.co.uk](mailto: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**Please mark clearly if any aspect of your response is confidential.** Any information marked as confidential will not be published by ELEXON or considered by the DWG, but will be shared with Ofgem.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.

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	
<p>We agree that DWG's recommended TOM is in line with Ofgem's Design Principles and can help meet the strategic objectives of settlement reform. We believe this is the best TOM to take forward.</p> <p>The next phase of the design process should make sure the right safeguards are in place to deal with the catastrophic failure of settlement arrangements. We also support the DWG writing to the PAB for guidance in developing the performance framework based on the preferred TOM.</p>	

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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	
<p>Given what is known at this point, the TOM design is consistent with Ofgem's 'least-regrets' steer.</p> <p>Access to customer Half Hourly data for settlement is vital to maximise the value of the preferred TOM. We believe this policy decision is one of the foundational aspects of the smarter more flexible energy system being developed.</p> <p>The recommended TOM has the right amount of flexibility if there was to be a centralised agent introduced to settlement arrangements. We recognise and support that the DWG has not designed the TOM for any particular system architecture.</p>	

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	
No further comments	

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	
<p>In theory, we believe the DWG has identified all the required data and settlement processes for the preferred TOM.</p> <p>Regardless of the amount of non-smart customers in the market, we would encourage the DWG to share how it plans to assess settlements risks, and facilitate feedback on settlement risks during the phased implementation of the new TOM.</p>	

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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)?
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In the next phase, we would like to see the creation of an open and ongoing forum specifically for settlement performance across all market segments. For monitoring the effectiveness of new categorisations of metering attributes and volume shaping service techniques. As the TOM design does not seek to restrict or prescribe commercial arrangements for the Balancing Responsible Party (BRP). The forum could make sure that all BRP's have access to timely and useful information on settlement performance across all arrangements, and on an ongoing basis. We believe BRP's will need simple and straightforward information from the Load Shaping Service, in order to be developing efficient and effective controls.

Question 5	Do you agree that the TOM does not hinder new market entrants, technologies and innovations?
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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

We are supportive of the removal of the licenced Data Aggregator function, and the need to submit aggregated data into settlement. This should simplify the market to new entrants and help facilitate innovation.

In principle, competition is good for incremental change, but as it doesn't necessarily drive cost-effective transformational change, strong coordination across all market wide reviews is needed. How policy obligations and network price signals are designed, will play an equally vital role as the TOM design, in delivering the benefits of settlement reform.

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

Answer: Yes/No (delete as appropriate)

*Please provide your reasons here*

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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>
Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

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/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

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	
<p>In assessing the TOM for delivering the benefits of settlement reform, having a shorter, more efficient settlement timetable is important. However the constraints of current policy obligations and charging mechanisms imposed on suppliers could in the future, reduce meaningful incentives for customers. Therefore we encourage the preferred TOM to be assessed and transitioned in the round with other system, licence and charging signal reviews.</p> <p>At this moment in time, we believe the pre requisites for the implementation of any new TOM are correct, as are the transition principles. We would especially like to see an open and joint forum for balancing and assessing the efficiencies of making HH settlement a 'one-way gate'. Customer sensitivities are not easy to predict, and we would appreciate an ongoing dialogue on the transition, with as broad a scope as possible.</p>	

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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

As per our answer to question 4, we would like to know how the TOM will measure and communicate settlement risks for new categorisations in the mechanism. An important consideration for us is the DWG's ongoing plans to manage risks and develop system controls.

We support there being a strong emphasis on enabling innovation, whilst also reducing settlement imbalance. At this time it is hard to reasonably compare the existing imbalance risks, to the possible risks of a transformed settlement model. Therefore we would support a robust and evolving performance assessment of all parties involved in the settlement arrangements.

Effective implementation of Market-wide Half Hourly Settlement is not only vital to minimising the risk to settlement accuracy, but for also reducing customer sensitivity to sharing their data and realising the benefits of a smarter flexible network.

Question 11 Do you have any further comments?

No

*Please provide your comments here*