

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

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 the recommended TOM forms a reasonable basis for delivering Market-wide Half-Hourly Settlement but <u>only</u> where the vast majority of meters are able to record Half-Hourly data, and that data is capable of being accessed remotely. Implementation of this TOM is therefore dependent on the success of the smart metering rollout – at this point it is not clear at what point the levels of penetration of communicating smart meters will reach sufficiency to support this TOM.</p> <p>While the proposed TOM enables both smart and non-smart meters with only Register Readings available to be settled on a Half-Hourly basis, it is not the optimum basis for settling these meters. This is because the TOM would seem to apply a generic load shape to consumption that is recorded by these meters, or would only be broken down by generic categories (such as domestic/non-domestic). This does not account for variations in patterns of consumption that are driven by the way that meters are configured in line with the customer's tariff (which is the function currently performed by the Standard Settlement Configuration (SSC)). It is not clear that applying 'generic' load shapes to meters for which Half-Hourly data is not available would be at least as accurate as the current mechanisms for generating Half-Hourly data for non Half-Hourly meters. This element of the TOM would need to be improved before we would be able to support this TOM at lower levels of smart meter penetration.</p> <p>We have reservations about progressing the changes required to implement the recommended TOM at time where the levels of penetration for smart metering remain uncertain. What Ofgem, Elexon and the DWG should consider as part of the transition process is an interim solution that improves the current mechanisms for settling smart meters on a Half-Hourly basis (for example using the data from installed smart meters to improve the accuracy of profiling within the current non Half-Hourly arrangements). This interim solution should enable the settlement of smart meters on Half-Hourly data while also retaining the current non Half-Hourly processes, once the success of the smart metering rollout can be fully assessed then progression to the recommended TOM may or may not be an appropriate step.</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: No	

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

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

We agree that the recommended TOM reflects Ofgem's policy steers in regards to Supplier Agent Functions, policy positions we have supported in our responses to the consultations on this subject.

We are concerned that the recommended TOM does not fully take into account the impact of Ofgem's policy steer in regards to access and privacy. The implication of an 'opt out' policy in regards to the ability to obtain actual Half-Hourly data from smart meters for settlement purposes is that an unknown proportion of consumers could choose not to enable their Half-Hourly data to be accessed. We continue to believe that a policy that maximises the amount of actual Half-Hourly data that is used in the settlement process is the best way of achieving the benefits of market-wide Half-Hourly settlement, using the TOM.

As noted in our response to question 1 the recommended TOM only makes sense where a significant majority of meters are settled using actual Half-Hourly data. While the TOM enables meters with only register readings available to be settled on Half-Hourly data, it is not clear that this process would result in outcomes that are at least as accurate as the current non Half-Hourly processes. As per our response to that question we would recommend that a transition approach is adopted that will enable installed smart meters to be settled more accurately on Half-Hourly data, with a fully transition to the recommended TOM only occurring once the implications of the opt out' policy on the amount of Half-Hourly data that can be accessed successfully are fully understood.

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 agree that the TOM captures all of the essential processes in the 'meter to bank' Settlement process.

However, what the TOM does not cover, and which is vitally important is the end to end process for managing data related to a consumer as a result of implementing the TOM. Specifically the TOM does not make any reference to customer billing or the switching process, both of which will be materially impacted by the implementation of the recommended TOM. Parties such as ourselves will not be able to provide an accurate assessment of the costs and impacts of implementing the TOM in response to Ofgem's forthcoming Request for Information (RFI) without being able to understand that end to end picture and especially how billing and switching will work under the TOM.

As an example, the TOM assumes that SSCs will no longer be required for settlement purposes where smart and advanced meters are settled on actual Half-Hourly data. This seems to be on the basis that the function of SSCs is purely to support the accurate allocation of consumption for settlement purposes. However SSCs also form the basis for understanding how a customer's meter is set up, what tariff they are on and what tariffs could be offered to them (for example as part of a switch). SSCs are currently intrinsic to the customer billing process; removing them from the settlement process is likely to have a significant impact on the way that Suppliers undertake customer billing, which will then need to be accounted for in the RFI and the impact assessment. Suppliers will need to record and share information about how meters (both smart and non-smart) are set up for tariff purposes, a function that is currently performed by the SSC. Removing SSCs from the settlement process might not remove

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

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

them from the end to end process, which could mean that there may be little saving/simplification as a result. Similarly, it is not clear how Change of Supplier reading processes will work under the TOM. Currently, the CoS reading process is driven by the settlement process, with CoS readings generated by NHHDCs. Any changes to CoS readings (for example as the result of customer dispute) are then reflected back to NHHDCs to ensure billing and settlement data are aligned. Assuming that customers will continue to be billed on register readings, new processes for generating and agreeing CoS readings between Suppliers (and ensuring that data aligns with the Half-Hourly data being used for settlement) will be required; again this will have a significant impact on Suppliers and should be accounted for in the Ofgem RFI and impact assessment. It is, however, not clear how these billing processes will work and therefore what the extent of any changes will be.

We urge Ofgem and Elexon to ensure that these considerations are taken into account as part of the forthcoming RFI, otherwise the likely outcome will be an inaccurate impact assessment and potentially incorrect decision making as a result.

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 been able to undertake a detailed analysis of the data to be processed by the three Data Services noted; we have not identified any significant gaps as part of our limited analysis. The detailed data requirements are in any case something that we would expect to be captured as part of the data modelling that will be required during the detailed design phase.

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

To the best of our knowledge we would agree that the TOM would not hinder new market entrants. This is, however, dependent on the costs that a new market entrant might face in order to develop or procure the systems and services required to deliver the TOM. The cost to a new Supplier (for example) of entering the market under the new TOM compared to the current baseline are unknown at this stage.

We are probably not best placed to determine whether the TOM supports new technologies and innovations,

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

Question 5	Do you agree that the TOM does not hinder new market entrants, technologies and innovations?
<p>especially from new types of market participant. We would recommend further detailed engagement with the sorts of companies that plan to offer these products to determine whether it would enable them to be implemented effectively, and at an optimum cost to consumers.</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

We do not believe that sufficient information has been provided to enable us to assess whether the reduced Settlement Timetable is appropriate, even in the Target End State. Points to note include:

- It is not clear what the targets for actual and estimated data would be for each of the new settlement runs, and how this might vary for the different types of meter. For instance, we assume that the current timescales and processes for meters settled using the current Half-Hourly processes would remain the same; these timescales are currently aligned to the settlement runs (for example a target of 15 working days to resolve metering faults). Any changes to these processes, and especially to shorten the timescales, would have a material impact and could significantly increase costs.
- The current settlement timescales for non-smart meters with register readings are aligned to the pattern for obtaining readings for billing purposes. We would not want to amend our processes for obtaining readings from these meters purely for settlement purposes. The targets for these meters would therefore need to be set appropriately – retaining the current 97% targets for these meters at 4 months will incur additional costs which will ultimately be borne by our customers, with little clear benefit.
- The ability for accurate data to be included in the settlement process is not just a function of getting reading/consumption data; it is also dependent on the accuracy of standing data. It is not yet clear whether the proposed TOM would result in the standing data being used in the settlement process (and especially the data provided by the Registration Service) being 'right first time' and therefore not needing to be corrected outside of the proposed settlement timescales. Our current experience is that many data issues (for example backdated registration of new metering points) occur outside of the proposed settlement timescales and so would result in error being crystallised under these proposals.
- It is not yet clear how accurate the proposed estimation processes would be, and whether the use of estimated data for settlement under the shorter timescales could lead to similar results to the use of actual Half-Hourly data. The shorter settlement timescales might result in more estimated data being used, even at 4 months, but this might be acceptable if the quality of those estimates is proven to be high.

We agree that there should be an aspiration to move towards shorter settlement timescales, but this needs to be based on actual evidence that this is achievable.

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

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

It must be possible for participants to be able to correct errors that have had a material impact on settlement – this impact would not only be on the Balancing Responsible Party but could materially impact the accurate allocation of energy to other parties. Without the ability to correct those material errors in settlement, parties are likely to have to include some form of risk premium to mitigate the risks that these errors might arise and not be accounted for - this is likely to have a cost impact on consumers.

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

In line with our responses to the previous questions, while we recognise the intent of the proposal there is nowhere near enough information currently available in regards to the costs and benefits of reducing the Settlement timetable to be able to make this determination.

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

We broadly agree that the transition principles that have been identified by the DWG appear to be appropriate. As noted in our responses to the previous questions we believe that the discussions on a transition process should consider an interim solution that improves the current mechanisms for settling smart meters on a Half-Hourly basis (for example using the data from installed smart meters to improve the accuracy of profiling within the current non Half-Hourly arrangements). This interim solution should enable the settlement of smart meters on Half-Hourly data while also retaining the current non Half-Hourly processes; once the success of the smart metering rollout can be fully assessed then progression to the recommended TOM may or may not be an appropriate step.

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

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

We believe the following also need to be considered:

- The relationship between the processes in the TOM and customer facing processes such as billing and switching.
- Full definition of the interfaces within the TOM – and especially what data Suppliers/BRPs will receive and the data flows from meter to bank through the various services.
- The potential impact of rounding errors that might occur where Half-Hourly data is being captured at a lower level of granularity (watt hours) than register readings (kilowatt hours).
- The need for a 'clock change' process to amend the data obtained from smart and advanced meters from Coordinated Universal Time (UTC) to Clock Time and make it available to the Volume Allocation Service (VAS) for use in the Volume Allocation Runs (VARs). It is not clear that amending large amounts of source data would be more efficient than amending settlement systems and processes to operate in UTC rather than Clock Time.

Question 11 Do you have any further comments?

Answer: Yes

We believe that there is currently insufficient information available regarding the proposed TOM to enable ourselves and other parties to be able to assess the costs and impacts of implementing the preferred TOM. This will especially be the case for the Parties that have not been involved in the development of the TOM. In order to be able to obtain accurate cost information more detail will need to be provided about how the parties would implement changes to their existing systems and processes to achieve the proposed TOM.

As currently set out the likelihood is that parties will assume that the services required to deliver the TOM will need to be built from, scratch, whereas it is more likely that many of these services (such as the Metering Services, Meter Reading Services, Advanced Metering Services and Volume Allocation Services) will involve an evolution of the current MOP, HHDC and SVAA roles.

Without this clarity of what needs to change from the current baseline there is a real risk that costs for implementing the preferred TOM will be inaccurate and probably overstated, undermining the accuracy of any impact assessment and business case.

We continue to believe that the benefits of market-wide Half-Hourly settlement are most likely to be achieved where all actual Half-Hourly data recorded by smart and advanced meters is used in the settlement process. The ability for consumers to opt out of their Half-Hourly data being used for settlement purposes places the benefits at risk; an approach that enables all actual Half-Hourly data to be utilised for settlement will

- Secure the benefits for Ofgem, consumers and market participants.

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

Question 11 Do you have any further comments?

- Make engaging with the energy market simpler for consumers
- Reduce regulatory complexity
- Reduce the costs and complexity of managing two separate smart data accesses for different purposes.