

DWG CONSULTATION ON TRANSITIONING TO THE MHHS TOM

CONSULTATION RESPONSE FORM

Respondent information		
Your name	Katherine Davies	
Your company	OVO Energy	
Type of company	Domestic supplier	
Contact details	policy@ovoenergy.com	n/a
Confidential Y/N	No	

Please:

- Email your response to dwgsecretary@elexon.co.uk by **08:00 (8am)** on **8 July 2019**, using the subject line 'DWG transition consultation response'.
- Use this response form where possible to make it easier for the DWG to identify and summarise views.
- Provide supporting reasons for your answers to help the DWG understand your response.
- Identify clearly which, if any, aspects of your response are confidential. We will not publish any information marked as confidential, or share this with the DWG. However, Ofgem will see all responses in full. We encourage you to provide non-confidential responses where possible, to inform the DWG's discussions.
- Email ELEXON's MHHS team at dwgsecretary@elexon.co.uk with any questions.

The DWG will consider your responses and deliver its final report to Ofgem during summer 2019.

Question 1	Do you agree with the DWG's proposed mapping for Metering System types to Market Segments?
Please list any elements that should amended.	
Yes	
N/A	

Question 2	Do you believe it is feasible to use the elective HHS process to migrate significant numbers of MPANs to HHS as an interim step in the transition process?
Please identify what changes you believe would need to be implemented to use Elective HH as an interim step and/or any issues you have noted with the current elective process which are a barrier to using it as an interim step.	
Yes	
It would be feasible to use elective HHS as a means to migrate significant numbers of MPANs to HHS, sufficient enough to be an interim step in the transition to MWHHS.	
OVO Energy is strongly supportive of MWHHS; we believe it delivers the long term solution for industry settlement and is crucial to unlocking the benefits of domestic flexibility to achieve the low cost, low carbon energy system of the future. In addition, we note some specific operational benefits over elective HHS, such as the DC & COMC processes.	

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Question 2	Do you believe it is feasible to use the elective HHS process to migrate significant numbers of MPANs to HHS as an interim step in the transition process?
<p>While OVO Energy is strongly supportive of the MWHHS workstreams, we note there are a number of dependencies and significant design and implementation activities to be completed. Given the existing delays with the Smart meter roll out and DCC functionality, we believe the extension of elective HHS ensures the benefits can be achieved in the shorter term, and without the dependency of these factors. These opportunities have already been demonstrated by elective HHS, and there are a significant number of customers who have the eligibility (i.e. a Smart meter with Half-Hourly data capture) to be switched to elective HHS currently.</p> <p>Our experience in delivering elective HHS for a scaled trial of customers informs our conclusion that there are no significant operational barriers to achieving wider elective HHS. The key issues that we face with elective HHS are:</p> <ul style="list-style-type: none">• Switching between suppliers - other suppliers cannot onboard HHS customers• DNO confusion over the correct MTDs for HHS customers (this could simply be resolved by some published guidance from Elexon) <p>Both of these issues are minor, and resolvable. Indeed, we believe that the extension of elective HHS will accelerate the resolution of the existing operational issues outlined above, reducing the potential for a poor customer experience when switching suppliers. Further, OVO Energy notes that increasing the number of domestic sites Half Hourly Settled will improve the accuracy of settlement and ensure fairer allocation of energy among suppliers. This would deliver efficiency gains and cost savings that will mean near-term benefits for the industry.</p> <p>As such, elective HHS should be incentivised to release value without creating onerous obligations on those suppliers who may face significant development costs.</p>	

Question 3	Do you agree with the PAF Assumptions and Principles and that all the potential impacts on the PAF have been identified?
Please identify any omissions.	
Yes	
<p>It is important that performance serials encourage accurate settlement across the industry, both during the transition period and in the target end state. This should take into account a customer's decision not to have a Smart meter. In particular, maintaining the current 97% Actuals Target for remaining non-smart metered sites would act as a disincentive for transitioning to HHS. Customers in the remaining non-smart metered sites are typically the least engaged; it would therefore become costly and unsustainable to achieve full market-wide HHS if current targets are maintained in this segment. If performance serials are differentiated by market segment and meter type, it is important that this does not disincentivise the transition to HHS for these specific segments, and contradict the first principle of the HHS transition model.</p>	

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Question 4	Do you agree with the phased approaches proposed for BSC and Registration Systems?
Please identify any issues and dependencies with the proposed approaches.	
N/A will not be responding to this question.	

Question 5	Do you agree with the phased approach proposed for the Smart and Non-smart Market Segment?
Please identify any issues and dependencies with the proposed approach.	
Yes	
N/A	

Question 6	Do you agree with the phased approach proposed for the Advanced Market Segment?
Please identify any issues and dependencies with the proposed approach.	
N/A will not be responding to this question.	

Question 7	Do you agree with the phased approach proposed for the Unmetered Market Segment?
Please identify any issues and dependencies with the proposed approach.	
N/A will not be responding to this question.	

Question 8	Do you agree that the critical path captures all the key activities and dependencies?
Please identify any omissions, issues and dependencies with the proposed approach.	
Yes	
N/A	

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Question 9	Do you agree with the DWG's proposed approach for transitioning to the revised Settlement Timetable?
Please identify any issues with the proposed approach.	
Yes	
<p>Yes. However, this transition approach to the new Settlement Timetable is incumbent on the success of the Smart meter-roll out. If transition to the TOM occurs when a large proportion of meters are not smart, this may reduce the accuracy of settlement of those sites. It would be unfeasible, and will come at considerable extra cost, to obtain actual readings for non-smart metered sites within the new four month Settlement Timetable. We feel the transition to the revised Settlement Timetable should be accurately assessed against the saturation of smart meters in the market.</p>	

Question 10	Do you agree that the DWG's proposed Dispute Timetable and approach to materiality strikes an appropriate balance between shortening timescales and correcting material Settlement errors?
Please identify any issues or risks with the proposed approach.	
Yes	
<p>This approach is effective in balancing the materiality threshold with the scale of the impact. It will help to mitigate the risk posed by resolving large settlement errors, and encourage greater settlement accuracy more broadly. However, it is important that the first materiality threshold is low enough to resolve erroneously large advances; this is likely to occur for sites that are read by register readings. The table on page 33 of the consultation document indicates the materiality of such errors is £8,000 on average. We suggest the first materiality threshold should be set at around this level, to allow errors of this scale to be resolved as early as possible.</p> <p>With the revised Settlement Timetable reducing the reconciliation period to four months, there will be insufficient time to resolve erroneous reads leading to settlement disputes. Therefore if materiality thresholds are not low enough to settle disputes, this will lead to inaccurate settlement and increase costs to suppliers.</p>	

Question 11	Do you agree that the DWG's proposed transition approach aligns with the nine High Level Transition Principles set out for the transition approach?
Please identify any areas of the approach that do not align with the principles.	
Yes - in most cases	
<p>OVO Energy agrees in most cases. However, it should be anticipated that the number of sites settled under elective HH will increase significantly before MWHHS is implemented due to growth in flexibility services. It is vital that the transition approach does not prevent this, as detailed in 'Principle e'. This needs to be seriously considered as we are concerned that a reduced transition to elective HH in the interim will stifle innovation and prevent the increase of flexibility offerings in the market.</p>	

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Question 12	Do you have any other comments?
No	
N/A	