

DWG CONSULTATION ON TRANSITIONING TO THE MHHS TOM

CONSULTATION RESPONSE FORM

Respondent information		
Your name	Terry Carr	
Your company	E.ON Energy Solutions Ltd	
Type of company	NHH & HH Supplier / DC / MO / DA	
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Confidential Y/N	<i>No</i>	

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.	
Answer: Yes	
<p>E.ON agrees with the proposal in principle but it will not be clear to consumers why this is happening, it may not be as transparent as expected and for some parties it may also result in a change to Supplier ID or internal system.</p> <p>Consideration should also be given to a mechanism which prevents consumers from "gaming" the system - changing their metering so they can move into different MC's. For example, a consumer should be A-G (Whole current) but has CT's installed so they can go A-E, or more likely make changes to avoid Capacity Charging. The implementation of DCP268 in April 2021 may mean there are very few benefits to moving Measurement Class because of the associated DNO costs. This could have an impact on end consumers and would need to be absorbed by the supplier or passed on.</p>	

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Question 1	Do you agree with the DWG's proposed mapping for Metering System types to Market Segments?
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We would also like to outline that during the transition from profile classes to a load shaping service, it might be more viable to use existing profiles rather than shapes because the market would not have started to use shapes before this period and we would need at least twelve months of data.

It is also worth acknowledging that the Processing Service (PSS) will need some form of shaping profile before data is shared with the Load Shaping Service (LSS), thus there is a potential risk that data is shaped one way by the PSS, then subsequently profiled again differently by the LSS before finally being passed into Settlements. We would recommend a standard profiling methodology is used by both parties and as such only needs to be completed by one of them.

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?
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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.

Answer: No

As noted in the consultation document, this process was designed only for a limited number of consumers and was also a commercial choice for suppliers. If parties have chosen not to engage in that particular area of the market thus far, the additional system development required to implement this process would also need to be factored into the system development costs, weakening the business case for this programme.

There is also a risk that this would result in multiple CoMC's and not just a straight NHH-HH, it could mean a move from NHH-HH then again from HH-HH.

Question 3	Do you agree with the PAF Assumptions and Principles and that all the potential impacts on the PAF have been identified?
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Please identify any omissions.

Answer: Yes – With Caveats

We do not agree with the principle of data not being based on Actuals or Estimates. Performance of any kind needs to be based on some form of actual data.

The deployment of PAT's by the PAB is not a short process and unless an issue is identified early in the migration, the value of deploying a PAT may take longer than the actual transition of data. Accepting that there needs to be a level of consistency in the market, a blanket approach to PAT deployment may be too burdensome.

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Question 3

Do you agree with the PAF Assumptions and Principles and that all the potential impacts on the PAF have been identified?

In the case of P272, the EFR PAT was deployed against parties that didn't migrate all consumers in the agreed timeframes; however, for some parties this was against fewer than 10 MPANs. The EFR process was more demanding and time consuming than the work required to actually migrate the final few MPANs. As such, we would like to ensure that there would be a proportionate and reasonable application of any PAT by the PAB.

In a similar vein, parties not being penalised for consumer choices is welcomed. However, the monitoring and updating of these consumers should not be onerous on suppliers. Any transitional reporting needs to be clear, accurate and timely. On numerous occasions during P272 the industry monitoring was weeks out of date and parties had to justify positions that were inaccurate. This would also need taking into consideration for parties should the Supplier of Last Resort (SoLR) process be invoked during the transition period. Suppliers should not be unduly prejudiced and should have some provisions to delay enforcement should they inherit a poor portfolio when appointed as a SoLR.

We would also like to consider that in the principles there may be a requirement for tiered performance levels. As an example, having the same settlement performance percentage against actual reads for smart and non-smart consumers could result in negative impacts on the smart market segment. Non-smart consumers including Opt Out may not be able to hit higher performance levels in the earlier Settlement runs similar to how the NHH (R3 / RF) and HH (SF / R1) market are currently monitored.

All of these need considering as part of the PAF review and we would request a clear definition of roles and responsibilities between Ofgem and Elexon. It was challenging during P272 to understand where sanctions were being considered and who was enforcing them, and in some cases seemed too literal based on "guidance / agreements" between Elexon and Ofgem.

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.

Answer: Yes

There is considerable cross over for timings with all of the large Significant reviews currently being conducted by Ofgem, and in particular the changes being made through the Forward Looking Charges review. These programmes all require a significant amount of involvement and investment from suppliers to support and test new industry developments, (for example the delivery of the Central Switching Service) and some of the decisions still to be made will have an impact. We would like to emphasise that this programme needs to work alongside the other code reviews to ensure a successful delivery; this would include ensuring "dependent" deliveries from DCC and CSS are taken into consideration and timeframes are adjusted accordingly.

Additionally, the requirement for parties to potentially have to Qualify or Requalify during this period of significant change could result in parties choosing not to enter the qualification process until later in the transition period, thus reducing the number of participating parties in the interim (though this will be dependent on how the new Qualification process is defined and how demanding it will be). The risk of different

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Question 4 Do you agree with the phased approaches proposed for BSC and Registration Systems?

parties being at different stages during the transition could again result in increased costs, which are inevitably collected from the end consumer.

The successful delivery of this programme needs to either use or take into consideration the other changes and ensure that by delivering this, any costs to parties remains economically efficient.

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.

Answer: Yes – with caveats

In phase three there needs to be clear lines and responsibilities of the new and old roles and controls put in place to ensure volume is not double counted across different sectors.

In phase one we talk about MSS and SDS elements qualifying. The current BSC re-qualification process takes a minimum of six months. Accession to the DCC is also a significant process requiring UEPT, a security audit and certification process which again would be a minimum of six months. The DCC and Elexon would need to be able to facilitate numerous parties all acceding / qualifying at the same time, as noted in Q4. The number of parties qualifying could be spread over a longer period following an initial big bang of applications.

From an end consumer's perspective, this transition could need a period of education; learnings from P272 highlight that in reality, although this process is ideal for the industry, bringing the consumers along on the same journey could be difficult, especially if it results in additional costs to them. Any data issues during the transitional period may result in tariffs carrying a risk premium until any transitional period has completed. To try to alleviate any risk suppliers will need an interface to be able to engage with the central systems in a timely fashion to have access to certain data elements. Furthermore, lessons should be taken from other large-scale industry initiatives such as the rollout of smart meters when considering how to manage customer expectations and perceptions.

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.

Answer: Yes

We would like to emphasize the challenges of P272 and the smart roll out and what is being considered regarding lessons learned. Has Ofgem / Elexon considered the impacts on consumers and the challenges that all parties had bringing consumers on this journey? It is also worth taking into consideration that this market segment has already been through the P272 changes and another change may just be seen by some consumers as suppliers being "difficult" and not be treating all customers fairly.

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Question 6 Do you agree with the phased approach proposed for the Advanced Market Segment?

The P272 changes are only just starting to embed and this transition hasn't really had time to stabilise before moving onto the next item. To help alleviate this, the transition could be spread over a longer period of time. With the significant amount of change in the industry there is a lot of pressure which could lead to sub-optimal change delivery with unforeseen consequences.

Another option is to promote testing through the Sandbox to allow parties to trial their systems, in particular with the RPA now sending data directly into the Central Services instead of via the DA.

We would also like to highlight that there are still interoperability issues and considering that the 2 and 2.5g networks are being terminated this may exacerbate the issues in this market segment.

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.

Answer: Yes in principle

We do not see the benefits of performing the CoMC in the UMS market and would prefer the simplicity of the transition being that the old MC B is just redefined to be HH at a later point in time. Alternatively, if a CoMC is required and as there are fewer numbers we would like to propose a CoMC from MC D to MC B.

The proposed data cleanse activity will probably fall in line with the data cleanse activity for Faster Switching and may require the same resource at parties to deliver the changes.

Moving all consumers to HH and including MA uplifts cost seems to create UMS reference loads created by the MA only to remove their role at a later point. We believe this will substantially increase cost to serve UMS pre-migration. The end consumers may not have a full understanding of how the market works and there is nothing in the codes to support managing the UMSO's which can result in overall impacts on the end consumer.

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.

Answer: No

Although referenced in the consultation document, we feel some key elements have not been captured that will have impacts on Parties during the transition:

- Qualification / Requalification of parties
- Accession to the DCC
- Data Cleanse requirements
- Migration timeframes and activity

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Question 8 Do you agree that the critical path captures all the key activities and dependencies?

- Impacts on Credit cover and Forecasting
- Impact on parties to complete a significant number of CoMC's, COA's, and potential data quality issues
- No consideration of the impacts on end consumers
- Dependencies on delivery from other industry parties such as the DCC
- Consideration of other industry changes not just significant programmes

In relation to the final point we would like to specifically call out DCP161 which increased excess capability by up to x3 vs agreed capacities as of 01/04/18. This was not present under P272 and will create a detrimental impact on CT customers NHH-HH Measurement class A-E moves. The consumers moving can currently only mitigate by an upfront connection agreement with DNO's prior to a CoMC. We estimate approximately 18K consumers in our portfolio could be affected by this and feel this should be flagged via this consultation even though it is not specifically a BSC issue.

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.

Answer: Yes

This timetable works sufficiently in the traditional HH market however it can still be erratic, as such we would want to see a stable industry market before the transition to the reduced timescales.

As a supplier this will create a billing risk; reducing the timeframes for suppliers to identify and correct issues such as metering problems which are then subsequently corrected in billing. As such, the responsibilities of agents to deliver performance and to correct market errors should be split amongst all parties and not solely sit with suppliers. It should also be considered that instead of blanket targets for all parties through the transition, specific targets should be imposed onto poor performers with incremental targets on other parties to ensure the market improves to the final standards.

We also believe that shortened settlement timescales could have a large impact on reconciling network charges which also uses the current settlement timetable to reconcile use of system charges. We feel that further analysis should be conducted in this area to understand if there is a benefit to shortening the timetable further, or conversely unintended consequences which could result in sporadic year on year changes to the allowed revenues recovered by network companies.

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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?
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Please identify any issues or risks with the proposed approach.

Answer: No

We believe that the Disputes period should be based on volume impacted and not cash values. This should mean that the changes in system prices do not have a bearing on the criteria for a Dispute and gives Parties a clear way to determine if a Dispute would meet the criteria. We do however agree that this could be incremental based on the length of the Dispute to allow for larger errors to still be captured.

We believe that four months should be sufficient to clear most metering faults, although discussions in the Issue 73 Working Group suggested that a 65wd period would be allowed to fix transformer faults which would be very close to the four-month Settlement correction period. Considering this, our proposal to use Settlement Volume impacted would ensure any significant transformer issues would still be captured.

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?
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Please identify any areas of the approach that do not align with the principles.

Answer: Yes

We do agree but consideration should be given to the impacts on the end consumer. From a supplier perspective, this period of transition and the impacts on the shortened periods will affect the end consumer's bills, potentially even impacting the billing code rules.

We would recommend a review of Ofgem's business and economic case alongside this transition plan to draw out some of the associated implications and potential costs.

Question 12	Do you have any other comments?
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Answer: Yes

We would like to highlight the following items that are not referenced in this consultation that could be investigated or discussed further with industry parties:

- Group correction factor (GCF) error is only being applied to the NHH and the elective HH metered market currently, and we would like to know how this will transition. As consumers transfer to the HH market given that:
 - I. The impact on the NHH UMS market transitioning to HH could result in other applicable consumers in metered measurement classes picking up the current NHH UMS share of GCF errors.

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Question 12 Do you have any other comments?

- II. The impact on the GCF errors within the applicable metered market during transition where sites move into HH CT metered measurement classes, as GCF errors have 0.0 scaling associated to the Consumption Component Class (CCC) ID's within measurement class 'E'.
 - III. This may lead to an increased risk of existing consumers becoming "vulnerable" consumers just from the burden of increased industry costs during transition, which could be exacerbated at the point of transition to the new TOM.
 - IV. As CCC ID's would no longer be a mechanism to allocate GCF, considerations need to be given to how GCF errors would be applied and to which market segments post transition to the target operating model.
- Is there an option in the TCS to align the implementation with the deployment of the TCR for access charges to limit the number of different phases and impacts on parties and the end consumers?
 - What happens if during the transition parties are at different stages from old to new market? Consumers will no doubt still change supplier or agent and there can be complications and impacts to consumers.
 - Under P272 the consumers didn't understand why this was happening. The industry will need more Ofgem support and engagement. We feel that the disconnect was largely because consumer engagement was largely left to individual suppliers to co-ordinate, leading to consumers receiving mixed messages. This was particularly confusing for consumers switching supplier during the P272 migration window.
 - We feel that a balanced approach to consumer engagement should be considered, which is a combination of Ofgem-led engagement detailing why the transition to HH settlement is being implemented; clearly defined consumer benefits as well as the general high level changes a consumer could see in their interactions with market participants (such as notable changes to supply numbers). Suppliers' engagement could then focus on specifically how their consumer offers would change e.g. how billing to HH settlement data or continuing using meter reads to bill or tariff innovation.
 - We feel that further consideration should be given to how the residual aspects that the data aggregator role currently is responsible for and how these will be segregated out within the proposed new market roles. Several activities that do not relate to the primary purpose of a Data aggregator, will still be applicable (such as Capacity market allocations and applying KWh network loss values into settlement) post transition.
 - Accepting that this consultation is regarding the Transition of the Settlement arrangements the impacts on the end consumer will be considerable and will not be invisible to them. We would like to emphasise that Ofgem should consider the short to mid-term impacts on the market and consider any recommendations or learnings from the P272 release.