

HEADLINE REPORT

MEETING NAME	Design Working Group (DWG) – Market-wide Half Hourly Settlement SCR
Meeting number	13
Date of meeting	13 November 2018
Purpose of paper	Information
Classification	Public
Synopsis	Summary of the thirteenth DWG meeting and actions arising.

1. Introduction

- 1.1 ELEXON introduced the thirteenth DWG meeting and set out the meeting objectives. These were to:
- Confirm the DWG's preferred Target Operating Model (TOM) after considering the latest policy steers from Ofgem;
 - Agree the TOM service requirements and summary guides for inclusion in the DWG's report to Ofgem on its preferred TOM;
 - Make recommendations on two outstanding areas of detail for inclusion in the report to Ofgem (on Time of Use Scaling Weights and using the Registration Service for service provider appointments); and
 - Agree what high-level transition content should be included in the report to Ofgem.

2. Ofgem policy steers

- 2.1 Ofgem updated the DWG on its latest [policy steer](#)¹, as circulated to DWG members on 11 November 2018.
- 2.2 The DWG noted that the only new information compared to previous steers is that, for the purposes of the design work at this time, Ofgem would like the DWG to proceed with the design of a TOM without Enhanced Privacy. It noted that, at [DWG12](#), it had already assumed the absence of any Enhanced Privacy or 'hidden identity' option when choosing the 'Central Settlement Aggregation' variant of TOM A as its majority-preferred TOM.
- 2.3 Ofgem reminded the DWG that if its final policy decisions differ from the steer then, at that point, it will need to re-plan the timetable of work accordingly.

3. Confirmation of preferred TOM following policy steers

Presentation of TOM A

- 3.1 ELEXON invited comments on a revised version of the TOM A [overview diagram](#). This removes all previous optionality to reflect the DWG's preferred variant. Under this variant, the central Settlement services receive disaggregated Half Hourly (HH) data at a Meter Point Administration Number (MPAN) level and add this up for Settlement.

¹ Ofgem's policy steer is intended to provide a least-regrets planning approach to allow the progress of the TOM design work with the aim of having the least impact on overall project timescales. It does not imply that it is the final favoured approach, and the final decision will be taken after consideration of all the evidence.

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- 3.2 ELEXON noted the discussion at [DWG12](#) about the differences between TOM A (which has combined Retrieval and Processing Services) and TOM D 'Separate Services' (in which these are separate). ELEXON noted that the revised TOM A diagram is intended to clarify that, while a single entity will need to have overall accountability for delivery of the three services within the Smart Data Services box (Meter Reading Service, Meter Data Retrieval Service and Processing Service (Smart)), this entity can choose to sub-contract the actual provision of any or all of these services in practice if it wishes to do so.
- 3.3 The DWG agreed that the original name of TOM A ('Combined Retrieval and Processing with Separate Aggregation') is no longer a good reflection of its content. ELEXON advised that it intends to simply refer to it as 'the DWG's preferred TOM' in the report to Ofgem. However, it will clarify that this is a variant of the original TOM A, to help Ofgem and participants track the DWG's development and evaluation of the 'skeleton' TOM options from the previous consultation.
- 3.4 The DWG agreed that the revised diagram is a much clearer presentation. ELEXON agreed to make the following further improvements:
- Add a 'network charging' dotted arrow from the BSC Central Services box;
 - Shade the dotted lines with a key to why they are dotted/shaded; and
 - Consider how best to show which part(s) of the Smart Data Services box will need to be a party to the Smart Energy Code (SEC) – this may be through a lower-level diagram or description.
- 3.5 A DWG member queried the Unmetered Supplies Operator (UMSO) box on the diagram, noting that this appears to be a role rather than a service. ELEXON confirmed that it has been defined as a service and agreed that the box should therefore read 'UMSO Service'. ELEXON noted that, as now, Distributors will be responsible for this service but do not necessarily need to provide it themselves.
- 3.6 A DWG member asked why the Aggregation Service (AGS) is still shown as a separate box within the BSC Central Services as, from previous discussions, they had expected these requirements to simply become part of the Volume Allocation Service (VAS). ELEXON noted that the scope of the VAS is imbalance settlement and the AGS requirements are broader. For example, they include providing aggregations of data for other core purposes such as Project TERRE, network charging and Electricity Market Reform (EMR) Settlement. While these are considered to be 'Settlement' purposes under the TOM, they fall outside the purely imbalance settlement scope of the VAS and therefore do not fit within that service.
- 3.7 The DWG member expressed concern that the current diagram could imply:
- Centralisation of aggregation in its current form, rather than the view of Ofgem, the Design Advisory Board (DAB) and the DWG that the central Settlement services can simply add up the disaggregated MPAN-level HH data – removing the need for a separate aggregation service outside of central Settlement; and
 - Removal of any opportunity for other, competitively-provided aggregation services.
- 3.8 ELEXON noted that the DWG had agreed previously, at DWG12, that making aggregation of Settlement data part of the central Settlement services does not prevent other entities offering non-Settlement, value-added data aggregation services (subject to appropriate access/privacy rules). ELEXON confirmed that this will be clarified in the commentary on the diagram as part of the report to Ofgem. ELEXON advised that both the AGS and VAS form part of the central Settlement services as represented by the wider box around them.²

² Post-meeting note: ELEXON proposes to rename the 'BSC Central Services' box to 'BSC Central Settlement Services', to make this clearer.

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- 3.9 The DWG member agreed with ELEXON's explanation of the processes and clarified that their concern was only about the presentation, and thereby the possible industry perceptions, of the TOM.³

Preferred TOM

- 3.10 ELEXON invited DWG members to reconfirm their views as captured in the [DWG12 Headline Report](#) or, where any members had not been present at that meeting, to add any views. ELEXON noted that these would then form the recommendation in the DWG's report to Ofgem on its preferred TOM.
- 3.11 A majority of DWG members continued to prefer the 'Central Settlement Aggregation' variant of TOM A for the reasons given previously at DWG12. As discussed at DWG12, these members agreed that this preference remained subject to confirming that there is no fundamental security barrier to the central Settlement services using disaggregated MPAN-level data.
- 3.12 One DWG member, who had not supported combining the Retrieval and Processing Services at DWG12, believed that the revised presentation of TOM A now makes it indistinguishable in this area from TOM D. As such they now supported the majority recommendation. The member clarified that they cannot see any compelling reasons to maintain a separate Aggregation Service outside of central Settlement.
- 3.13 One DWG member disagreed with the majority DWG recommendation. They advised that their preferred TOM would instead be the 'Competitive Aggregation Service' variant of TOM A. Under this variant, aggregation of Meter data for Settlement purposes (for both the advanced and smart market segments) would continue to be a separate, competitively-provided service outside of the central Settlement services. This member believed that:
- There is no good reason to centralise aggregation and remove competition in the service;
 - It is not proven that centralisation will deliver greater quality, efficiency, cost-effectiveness or innovation than a competitive service (the member cited the costs of the existing Non Half Hourly (NHH) Data Aggregation systems maintained by ELEXON on behalf of Data Aggregators);
 - Creating a central hub of MPAN-level HH data creates risks to Settlement if this is not secure; and
 - Centralisation removes an opportunity for Data Aggregation to become an area for greater differentiation between agents in the future.
- 3.14 The majority recommendation of the DWG to Ofgem (all but one member) was therefore to progress the 'Central Settlement Aggregation' variant of TOM A. ELEXON noted that the report to Ofgem will capture the majority and minority views. It advised that it will circulate the draft report to the DWG at least two weeks before the next DWG meeting on 15 January 2019, for the DWG's agreement at that meeting. The report will then be issued to Ofgem after the January meeting, in accordance with the timetable set out in the [Forward Work Plan](#) and [Gantt chart](#).

4. TOM service requirements and summary guides – DWG13/01

- 4.1 ELEXON invited the DWG to agree the service requirements and summary guides for inclusion in the report to Ofgem.
- 4.2 DWG members asked for more time to review the requirements. ELEXON agreed to extend the deadline for comments until 26 November 2018.

³ Post-meeting note: ELEXON has discussed this further with the DWG member and Ofgem. ELEXON proposes to rename the AGS to 'Market-wide Data Service [MDS]' to avoid any unintended perceptions and will bring a revised diagram to DWG14 on 15 January 2019 for discussion as part of the draft report. We also intend to rename 'Market Standing Data' as 'Industry Standing Data [ISD]' to avoid confusion between the two acronyms, and move the ISD box to reflect that maintenance of ISD is part of the VAS. These are presentational changes and do not affect the actual service requirements.

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- 4.3 ELEXON advised that, in parallel, it will need to 'stitch together' the service requirements to reflect the preferred TOM. However it noted that this will only affect the categorisation of the interfaces as 'external' or 'internal' interfaces.
- 4.4 A DWG member commented that the TOM will remove the ability for customers without a smart Meter to be settled on Economy 7. ELEXON clarified that a customer will still be able to have a non-smart Economy 7 Meter and be billed by its Supplier on a dual-rate basis. However, in this situation its consumption will be settled under the BSC using load shapes. ELEXON noted that the load shapes will reflect consumption patterns in the relevant measurement requirement (Active Import/Active Export) and Grid Supply Point (GSP) Group, but to benefit fully from Time of Use (ToU) tariffs customers will need to have smart Meters. The DWG member commented that, while they believe this is the right target end state, it could create a risk. Other DWG members considered that it creates an appropriate incentive for customers to adopt smart Meters and share their data for Settlement. ELEXON commented that the aim is to design the target end state for MHHS, not preserve legacy NHH Settlement arrangements. ELEXON noted that the situation will be similar for any customer with a smart Meter and an E7-style tariff who has opted-out of sharing their Meter data for Settlement – i.e. they can still be billed, but not settled, on a dual-rate basis.
- 4.5 ELEXON and the DWG agreed that the report to Ofgem needs to set out what is changing from the current Settlement arrangements, so that Ofgem can then use this information in its later Request for Information (RFI) on participant impacts and costs. The DWG noted that this report will also form the basis of its consultation on its preferred TOM in February/March 2019.
- 4.6 A DWG member asked that the four workgroups conduct a final review of the requirements. ELEXON noted that the changes made since the workgroups' last reviews are mainly presentational or to remove duplication. However, it agreed to circulate the requirements to the workgroups to review in parallel with the DWG.
- 4.7 ELEXON advised that, as the workgroups have discharged their Terms of Reference, it is not planning any further workgroup meetings. The DWG Chairman volunteered to write to the workgroup members thanking them for their contribution to producing the service requirements within challenging timescales.

5. Time of Use Scaling Weights – DWG12/01

- 5.1 ELEXON [presented](#) its proposed approach to preventing the risk that Suppliers could 'game' the load shapes, should Ofgem's policy decision allow customers to opt out of MHHS. It clarified that the risk is that Suppliers could encourage customers with 'peaky' load to opt out, thereby favourably skewing the load shapes. It advised that this potential risk has been noted previously by Ofgem, the DWG, Workgroup 2 'Processing and Load Shaping Services and Registration Interaction' and respondents to Ofgem's consultation on access to HH data for Settlement purposes. To mitigate this risk, ELEXON proposes to use ToU Scaling Weights within GSP Group Correction.
- 5.2 The DWG discussed the risk, whether it would arise in practice and whether the effect of GSP Group Correction would be sufficient to outweigh any financial benefit of gaming. It also discussed whether there could be any unintended consequences for opted-out customers, noting that these could include vulnerable customers. ELEXON noted that if the consumption of opted-out customers is not 'peaky' then the proposed approach makes no difference to them. It noted that GSP Group Correction is not intended to be a penalty, as it concerns the apportionment of error and the correction can be in either direction. The DWG agreed that the intention is not to penalise 'peaky' customers.
- 5.3 ELEXON clarified that it is not proposing to decide the detail now, but asking the DWG to recommend that this solution is explored further during the implementation phase. The DWG agreed to recommend, as part of its report to Ofgem, that the implementation phase includes a review of how Settlement applies GSP Group Correction to different market segments. It agreed that this is only needed if Ofgem chooses the 'opt out'

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option in its policy decision on data access. The DWG agreed that the application of GSP Group Correction will need reviewing anyway, since the NHH market will cease to exist under the TOM.

6. Using the Registration Service as the definitive record of Service 'appointments'

- 6.1 ELEXON [presented](#) its thoughts on how the Registration Service could act as the 'single source' of truth for TOM service provider appointments. It noted that the DWG had discussed this at [DWG11](#), but had agreed it could not take the suggestion forward until it had received Ofgem's policy steers and selected a final TOM. Now that these have happened, ELEXON invited the DWG to recommend that this solution is explored further during the implementation phase. ELEXON noted that there will be various points of detail to consider around exceptions/rejections and customer-appointed agents. However, as with the ToU Scaling Weights in Item 5, it is not proposing to decide these now.
- 6.2 A DWG member reiterated their view from DWG11 that they believe this is scope creep and commented that they do not understand the problem it is trying to address. ELEXON clarified that the issue, as captured in the [DWG11 Headline Report](#), is that the current process involves multiple 'sources of truth' on appointments and so can result in having no agent or multiple agents appointed. This can cause missing or duplicated Settlement data. While the TOM does not involve 'agents' in today's sense, it requires a set of services that will need to be provided. There is therefore an opportunity to use the Registration Service as the definitive record of who is providing these different services. ELEXON noted that the existing Supplier Meter Registration Service (SMRS) will need to change to support the TOMs regardless. This is because it currently identifies the Meter Operator Agent, Data Collector and Data Aggregator for each Meter, and since new registration data items will be needed for Settlement. ELEXON added that issues with the current appointment process could increase with Faster Switching, where a change of Supplier (and thereby changes in service providers) can occur daily.
- 6.3 On balance the DWG agreed to recommend, as part of its report to Ofgem, that the implementation phase includes further consideration of using the Registration Service as a single source of truth for agent appointments.

7. High-level transitional options

- 7.1 ELEXON [presented](#) its suggested high-level transition content for the DWG's report to Ofgem on its preferred TOM. ELEXON noted that the DWG will not develop its detailed transition approach until 2019. However, it suggested that it would be helpful to give Ofgem and participants an idea of:
- The transition principles that the DWG proposes to apply when developing this approach;
 - The DWG's view on any pre-requisites for starting the transition;
 - The DWG's view of the transition end-point;
 - An initial high-level overview of the key transition milestones, along with their potential complexity, dependencies and (very high-level) impacts; and
 - The DWG's proposed plan for developing the detailed transition approach.

Transition principles

- 7.2 The DWG agreed that the following principles should apply during the transition from the existing arrangements to MHHS:
- The transition approach shall not degrade the quality of Settlement data;
 - Transition shall be gradual in order to minimise impacts and risks;
 - Different market segments can transition at different times;

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- If the Department for Business, Energy & Industrial Strategy (BEIS) decides that Export must be registered for Settlement, then the transition approach for Export may be different to – and shall not slow down – the transition for Import;
- The transition to MHHS shall not create BSC (non-commercial) barriers to using the existing elective HH process;
- The transition approach needs to balance the efficiencies of making HH Settlement a 'one-way gate' (i.e. preventing HH customers switching back to NHH during the transition) with not creating undue barriers to customers switching Supplier;
- During transition, there shall not be dual processes operating at the same time for a single Meter;
- The transition approach shall minimise the need to maintain legacy services for a small number of Meters; and
- There shall be appropriate monitoring, reporting and enforcement of participants' progress during transition.

- 7.3 The DWG also discussed how de-energised or 'ghost' sites could be dealt with. ELEXON agreed to include this in the transition log for further consideration during 2019.
- 7.4 Ofgem expressed an interest in discussing what monitoring, reporting and enforcement activities can be undertaken during transition, and whether these sit with the BSC or Ofgem. ELEXON agreed to include this in the DWG's letter to the Performance Assurance Board (PAB) under existing Action 12/03.

Transition pre-requisites

- 7.5 The DWG discussed whether there are any external events (outside the Significant Code Review (SCR)) that need to have occurred before the transition to MHHS can begin. For example, ELEXON suggested the following:
- Implementation of the Faster Switching arrangements;
 - Adoption of SMETS1⁴ Meters by the Data and Communications Company (DCC);
 - Percentage of smart Meters rolled out; and/or
 - Clarity on network charging requirements for Settlement data.
- 7.6 The DWG agreed that Version 2 of the Retail Energy Code (REC) will need to have been implemented for Faster Switching before the MHHS transition can begin. However, it considered that full implementation of Faster Switching does not necessarily need to have occurred.
- 7.7 The DWG considered that there will be sufficient smart Meters installed by 2021, which is the earliest point that transition is likely to begin. It therefore believed that no specific pre-requisite is needed in this area. ELEXON noted that it is not just about the total installed as, to start the Load Shaping Service, there needs to be sufficient numbers installed in each category (GSP Group split by domestic/non-domestic and then by Active Import/Active Export) for which Settlement can access data. If Ofgem decides that customers can opt-out of sharing their smart Meter data for Settlement, this could make this more challenging.

Transition end-point

- 7.8 The DWG agreed that the end point for transition, when the TOM is considered to be fully implemented, shall be the first Settlement Day that all Meters are settled HH using the TOM.

⁴ Smart Metering Equipment Technical Specifications.

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Transition milestones

- 7.9 Due to time constraints at the meeting, ELEXON proposed to draft an initial suggested set of milestones for the DWG's agreement at DWG14 on 15 January 2019. These will form part of the draft report circulated to the DWG.

Plan for developing transition approach

- 7.10 The DWG discussed the possibility of using workgroups to support its development of the transition approach. It agreed to discuss this further at DWG14.

8. DWG12 Headline Report, actions log and Gantt chart

- 8.1 ELEXON confirmed that the previous meeting's [Headline Report](#) will be published after the meeting. It provided updates on open and recently-completed actions (as summarised on the next page) and noted that there have been no changes to the [Gantt chart](#) since the previous meeting.
- 8.2 The DWG discussed the draft letter to the PAB (Action 12/03). It suggested that ELEXON should be clearer on the required timings. ELEXON agreed and suggested that, to tie in with the DWG's own 2019 deliverables, the PAB's view on the PAF/Disputes impacts of MHHS will be needed by May 2019. ELEXON confirmed that it will send and publish the letter shortly.
- 8.3 ELEXON presented its [analysis](#) of the total changes in volume (both actuals and estimates) in the HH market between Reconciliation Runs, divided by HH market segment. It agreed to circulate the underlying spreadsheet to DWG members. The DWG agreed that this discharges Action 11/04. A DWG member commented that they believe the analysis shows that HH volumes are relatively stable and that the earlier runs tend to overstate the volumes. They believed that taking a year's data and applying the Credit Assessment Price (CAP) demonstrates that the error is not enormous. They advised that they are therefore less concerned than before about the proposed shortening of the Settlement timetable.
- 8.4 The DWG asked if ELEXON could also analyse the changes in GSP Group Take volumes between runs over the same period. ELEXON agreed to undertake this analysis and circulate it to the DWG.⁵

9. Summary, actions and next steps

- 9.1 ELEXON noted that the key next steps are for:
- ELEXON to update the TOM A overview diagram with the comments from the meeting and include this in the draft report to Ofgem on the preferred TOM;
 - DWG members to provide ELEXON with any comments on the service requirements, service diagrams and summary guides by 26 November 2018;
 - ELEXON to draft the remaining covering sections of the report to Ofgem on the preferred TOM and send the draft report to the DWG at least two weeks before the next meeting on 15 January 2019; and
 - DWG members to review the draft report and bring comments to the 15 January meeting, so that the report can be agreed and issued to Ofgem by the end of January 2019.

⁵ Post-meeting note: ELEXON has since undertaken this [analysis](#).

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ACTIONS UPDATE

Actions on ELEXON:

08/02 – Consider how to draw out, in the TOMs, what types of Meter-level data will be available at various stages in the end-to-end Settlement process – Open – ELEXON will ensure this is included in the January 2019 report to Ofgem.

11/01 – ELEXON to consider how its report will explain the TOMs and service requirements to a lay audience – Closed – ELEXON has developed 'summary guides' (formerly 'story boards') for inclusion in the final TOM report. See item 4 above.

11/03 – ELEXON to establish the baseline of DCC read capability – Open – ELEXON and Ofgem met with the DCC on 25 September and 15 November 2018. ELEXON is seeking clarity from the DCC on the assumptions behind its existing capacity.

11/04 – ELEXON to clarify the analysis undertaken by Workgroup 4 on existing Settlement performance, and whether any further analysis can be undertaken in this area – in particular for the existing HH / advanced Meter market – Closed – See item 8 above.

12/01 – ELEXON to establish with Ofgem who the relevant policy makers are regarding the security implications of a single HH data hub, arrange the necessary discussions and consider speaking to the Information Commissioner and the SEC's Security Sub-committee to establish the right contacts – Open – ELEXON is organising a meeting with Ofgem to discuss further.

12/02 – ELEXON to update the TOM diagrams now all optionality has been removed – Closed – see item 3 above.

12/03 – DWG Chairman to draft a letter to the PAF Review lead and/or PAB Chairman, setting out why the DWG recommends that the PAF Review considers the appropriate PAF for MHHS – including performance targets, the timing of the Disputes Run and a holistic review of the Trading Disputes process (especially the materiality threshold) – ELEXON to circulate the letter to DWG members for review – Open – See items 7 and 8 above.

13/01 – ELEXON to update the diagram of the DWG's preferred TOM with the comments from DWG13 – Open.

13/02 – ELEXON to send the service requirements and summary guides to the four DWG workgroups for final review. ELEXON to also thank the workgroup members for their contribution in developing the requirements – Open.

13/04 – ELEXON to send the draft report on the DWG's preferred TOM to DWG members at least two weeks before DWG14 – Open.

13/06 – ELEXON to add consideration of de-energised/'ghost' sites to the transition log for further consideration during 2019 – Open.

13/07 – ELEXON to analyse the changes in GSP Group Take volumes between runs and circulate the analysis to DWG members – Open.

Actions on other members:

08/03 – Ofgem and ELEXON to investigate what materials are available on the lessons learned from Project NEXUS – Closed – Ofgem had published a list of the NEXUS lessons learned on p.77 of its [Outline Business Case](#) for MHHS.

08/05 – Ofgem to consider the merits of having a joint set of innovation scenarios for Faster Switching and MHHS – Closed – Ofgem will include these in its paper on future-enabling the TOM.

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11/02 – Ofgem and ELEXON to discuss what further guidance the RFI may need to include on architecture and service provision – Open – ELEXON and Ofgem met on 11 October 2018 and ELEXON is organising another meeting to discuss further.

13/03 – DWG and workgroup members to provide ELEXON with any comments on the service requirements and summary guides by 26 November 2018 – Open.

13/05 – DWG members to review the draft report and bring comments to DWG14 – Open.