Public

DWG Meeting 11

DWG WG4 Recommendations on Settlement Timetable

18 September 2018

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MHHS Settlement Timetable Recommendations

DWG Work Group 4:

- Reviewed the work undertaken by the ESEG and PSRG;
- Agreed which assumptions are still applicable for the MHHS TOMs;
- Considered the optimum timing of the Settlement runs; and
- Are make a provisional recommendations to the DWG.

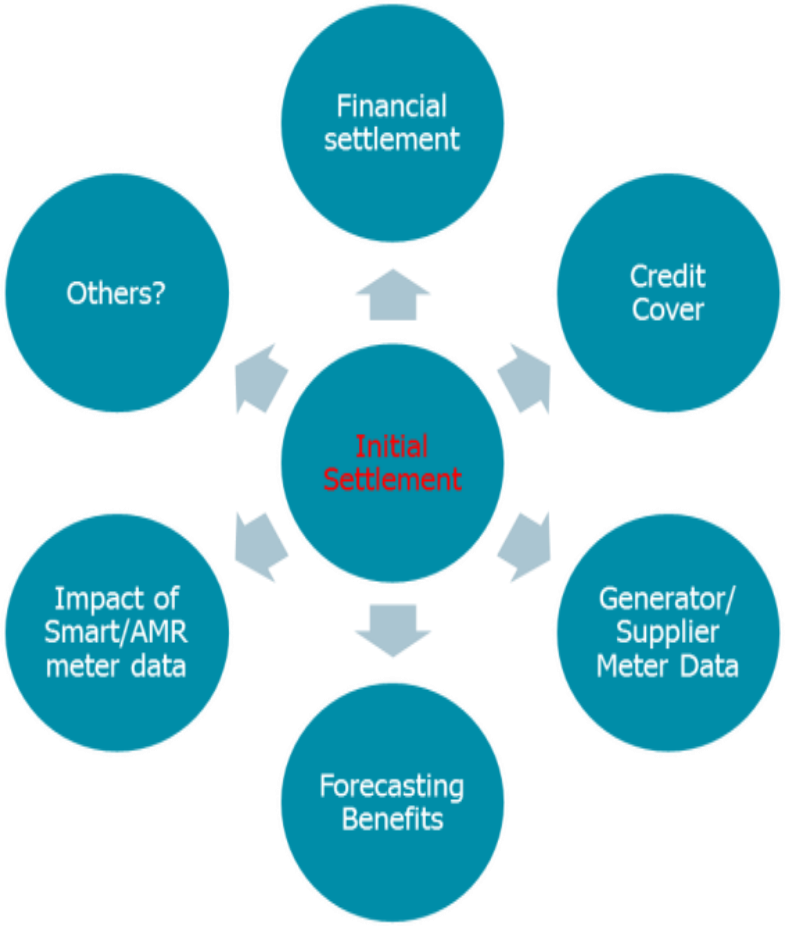
Recap - Current Settlement Timescales

- Currently seven settlement run types.
- The Interim Information Run (II) originally used to identify any issues with Central Volume Allocation (CVA) data for generators and Grid Supply Point (GSP) metering such that they could be resolved prior to Initial Settlement (SF).
- Timescales for the interim Reconciliation Runs (R1 to R3) were set around traditional meter reading cycles.
- Current timescales between Settlement Date and SVAA Run Date set out below.

Run	II	SF	R1	R2	R3	RF	DF
Working Days	4	15	33	78	148	287	587
Calendar Days (approx.)	4	24	51	116	215	417	843

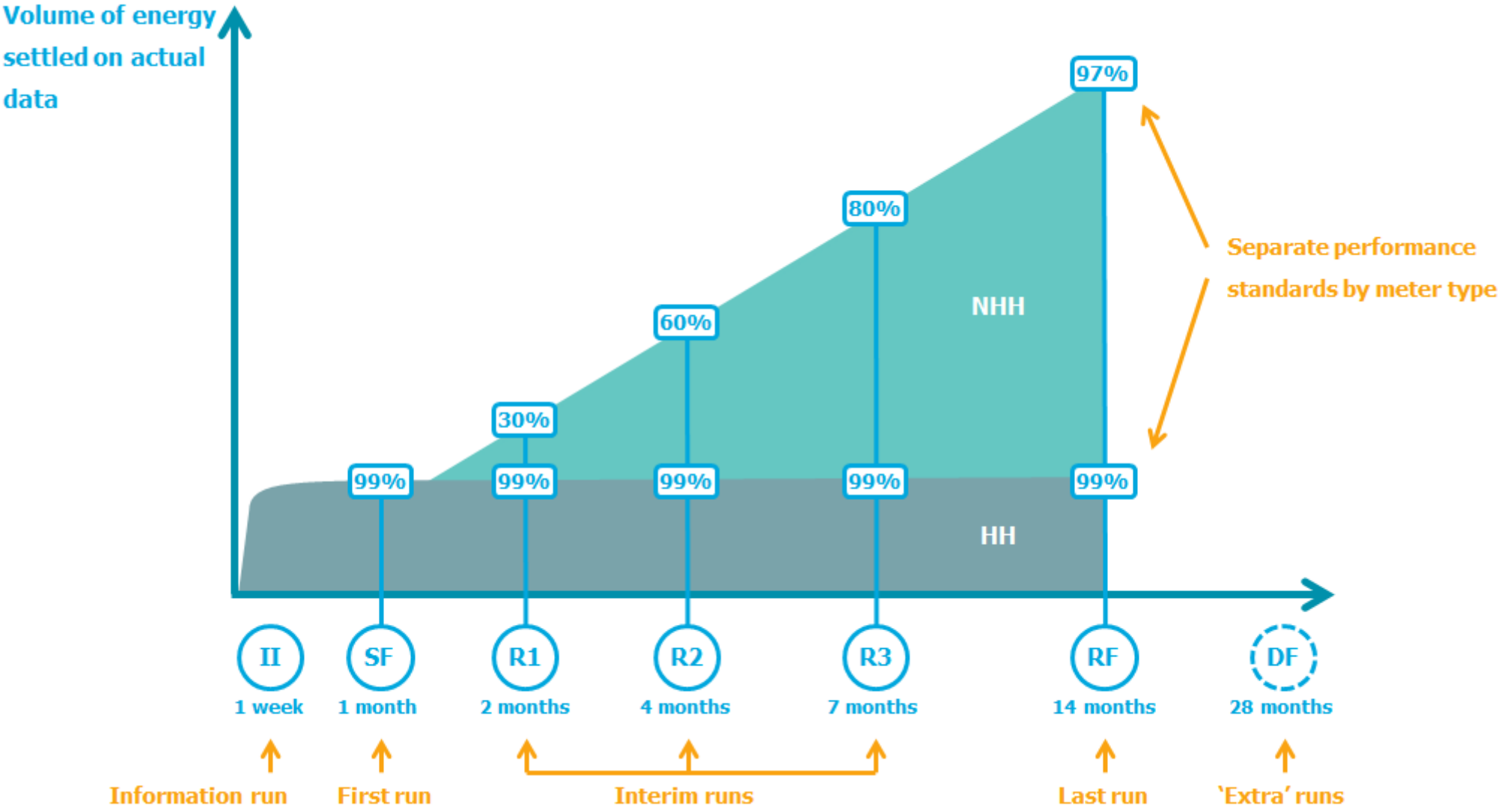
Key drivers for Initial and Final Settlement runs

Initial Settlement

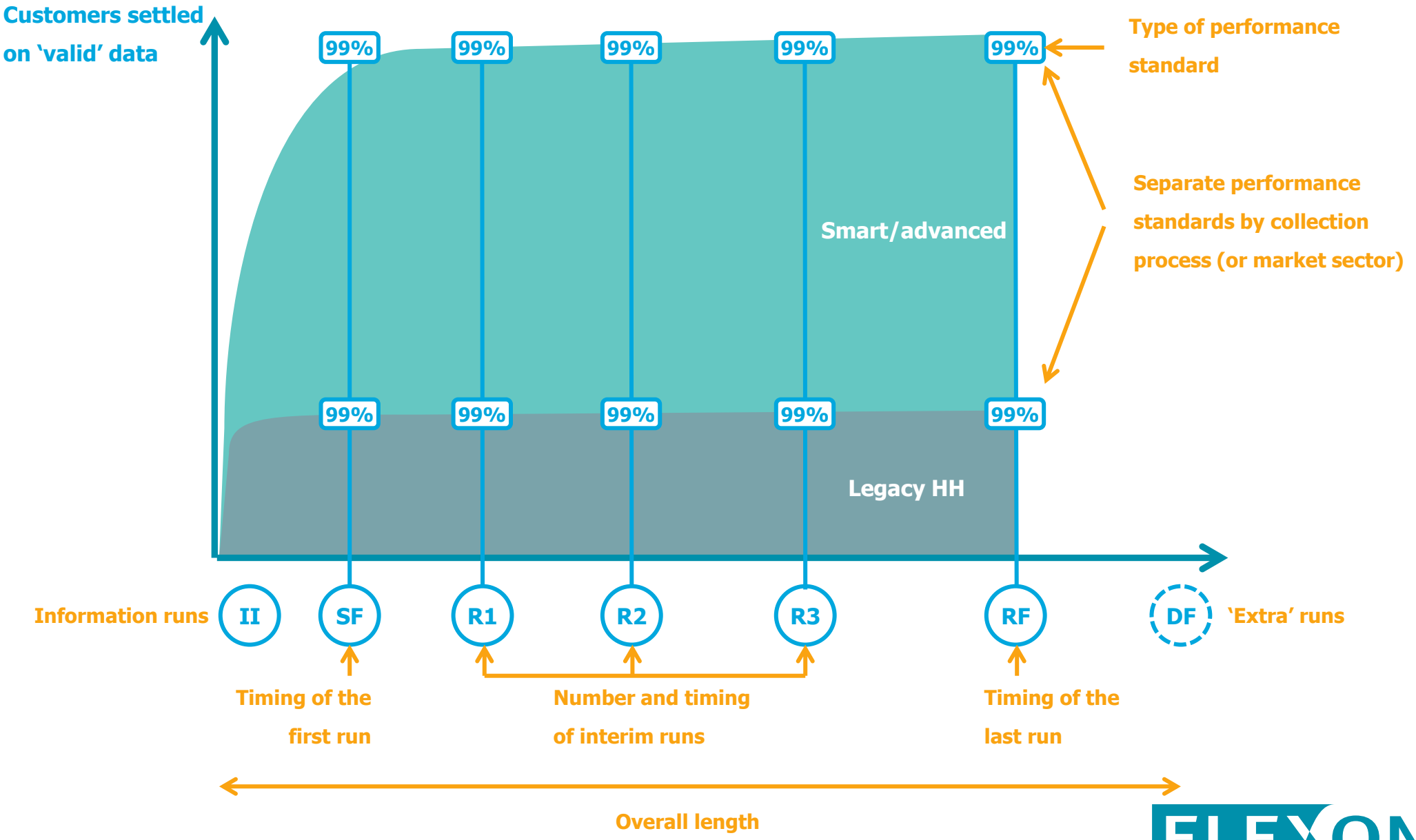


Final Settlement

The settlement timetable and the case for reform



Variables for Settlement timescales



WG4 noted the proposed move to R2 at the end of SM Roll-Out

The PSRG agreed two options to be assessed for the next stage of the Project:

Option 1

- The RF run to be moved to replace the R3 run by 2017;
- Existing 97% performance level retained for RF; and
- Disputes processes to be reviewed if implemented.

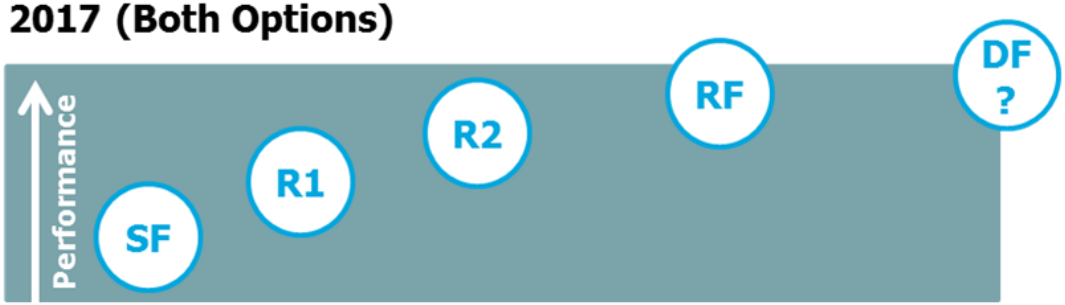
Option 2

- The RF run to be moved to replace the R3 run by 2017;
- RF then moved to replace the R2 run by 2020;
- Existing 97% performance level retained for RF; and
- Disputes processes to be reviewed if implemented.

PSRG recommended options (2014)

NOW (SVA)

2017 (Both Options)



2020 (Option 2 only)

Ofgem steer to DWG and WG4

- Ofgem indicated that at the TOM Board the SRO had indicated that:
  - The six to nine months proposal previously put forward by the ESEG for the final Settlement Run (RF) did not seem that ambitious; and
  - Was not sure that the LSS proposal for 10 WD for the initial Settlement run was the right answer.

WG4 considerations RF (1)

WG4 noted that:

- Customers under the smart roll-out and considerations for the LSS were assumed to be read at least once monthly;
- That there would be some metering systems that could not be read monthly (communication faults or non-remote capability); and
- Shorter timescales for data collection could incur significant DCC changes and associated costs that may undo the MHHS business case (the WG noted that the DCC would need to establish the costs of collecting data from all meters <1 month or even next day).

Hence, the WG considered that the timing of RF should be greater than 1 month and less than the ESEG proposal of 6 to 9 months.

WG4 considerations RF (2)

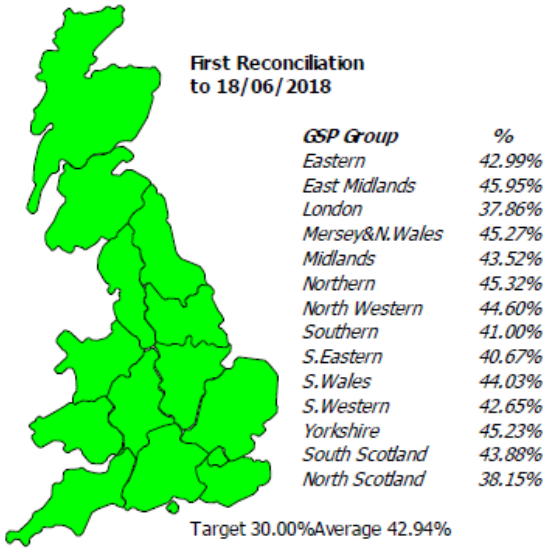
- WG4 noted the current NHH Settlement performance from the July Trading operations report:

- It noted that >70%

of NHH consumption could be

settled by R2 Run.

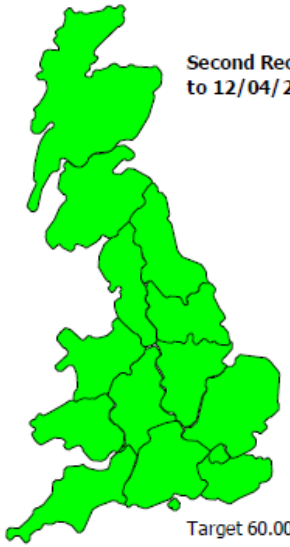
Note: There are no targets applicable to Initial Settlement Runs



First Reconciliation to 18/06/2018

GSP Group	%
Eastern	42.99%
East Midlands	45.95%
London	37.86%
Mersey&N.Wales	45.27%
Midlands	43.52%
Northern	45.32%
North Western	44.60%
Southern	41.00%
S.Eastern	40.67%
S.Wales	44.03%
S.Western	42.65%
Yorkshire	45.23%
South Scotland	43.88%
North Scotland	38.15%

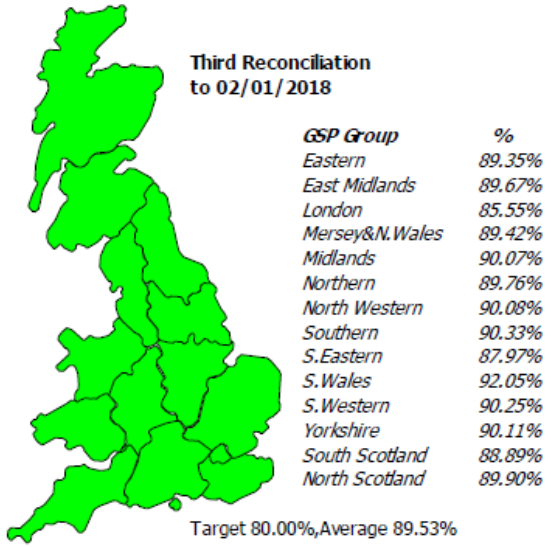
Target 30.00%Average 42.94%



Second Reconciliation to 12/04/2018

GSP Group	%
Eastern	73.34%
East Midlands	74.37%
London	67.44%
Mersey&N.Wales	74.96%
Midlands	74.28%
Northern	74.41%
North Western	74.20%
Southern	72.91%
S.Eastern	71.08%
S.Wales	74.69%
S.Western	74.16%
Yorkshire	74.91%
South Scotland	75.44%
North Scotland	71.46%

Target 60.00%, Average 73.40%



Third Reconciliation to 02/01/2018

GSP Group	%
Eastern	89.35%
East Midlands	89.67%
London	85.55%
Mersey&N.Wales	89.42%
Midlands	90.07%
Northern	89.76%
North Western	90.08%
Southern	90.33%
S.Eastern	87.97%
S.Wales	92.05%
S.Western	90.25%
Yorkshire	90.11%
South Scotland	88.89%
North Scotland	89.90%

Target 80.00%,Average 89.53%

WG4 considerations RF (3)

- The workgroup considered international equivalents:

	California	Australia	Texas	Sweden	Finland	Alberta	Ireland
Smart metering?	Yes	In Victoria	Yes	Yes	Yes	No	No
Interval settlement?	Yes	In Victoria	Yes	No	In the future	No	In the future
Information run		+5WD		+2-12 days	+2-12 days	+3WD	+1WD
First run	+3WD	+18WD	+7 days	+13 days	+13 days	+1 month	+5WD
Interim runs	+12WD	+20 weeks	+57 days			+2 months	+4 months
Last run	+55WD	+30 weeks	+180 days	+ 3 months	+1 year	+4 months	+13 months
Extra runs	+9, 18, 35, 36 months	Ad-hoc	unknown	No	No	No	Yes
ESDs	Yes	No	unknown	Bilateral	Bilateral	Yes	No

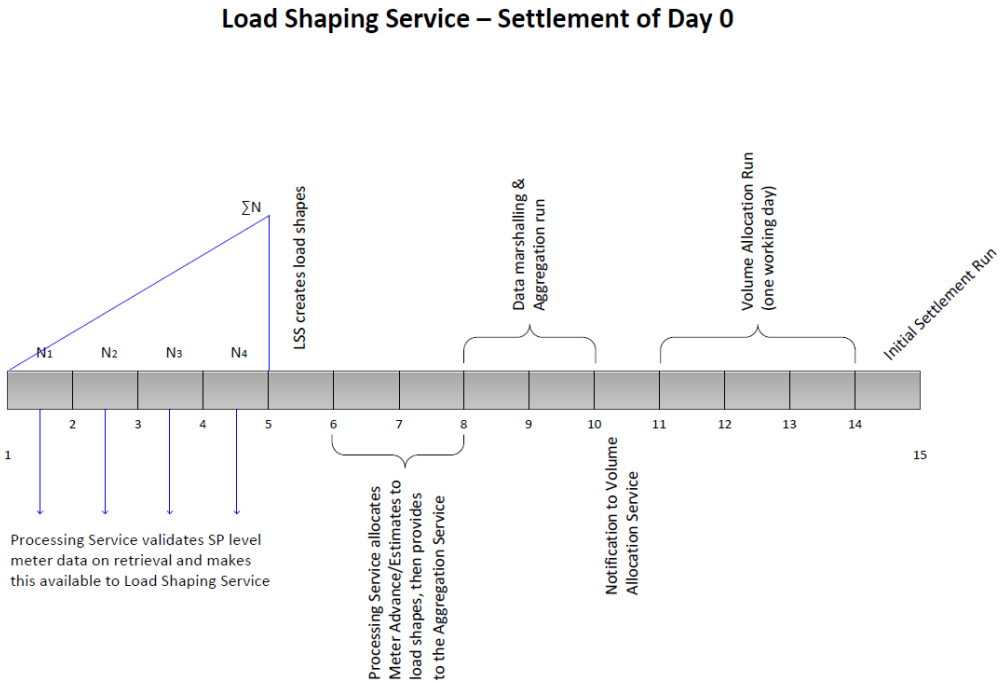
- The WG noted that there were no key themes or similarities between the timing and that the market models were very different to the UK.

WG4 considerations RF (4)

- The WG identified that the current R2 Run sat within the 'Goldilocks Zone' of between one and six months at approximately 4 months;
- The WG identified that this would give 4 attempts to access data for customers on monthly collection;
- It was noted that this was the equivalent of the 4 quarters for existing NHH customers;
- This timing would also give a window to fix communications faults and collect data prior to RF;
- That WG felt that a reduction from 14 to 4 months was sufficiently ambitious given the current unknowns around the smart meter roll-out (population) and system architecture required to deliver MHHS; and
- The WG considered that a 'realistic' scenario was required for the business case.

WG4 considerations SF (1)

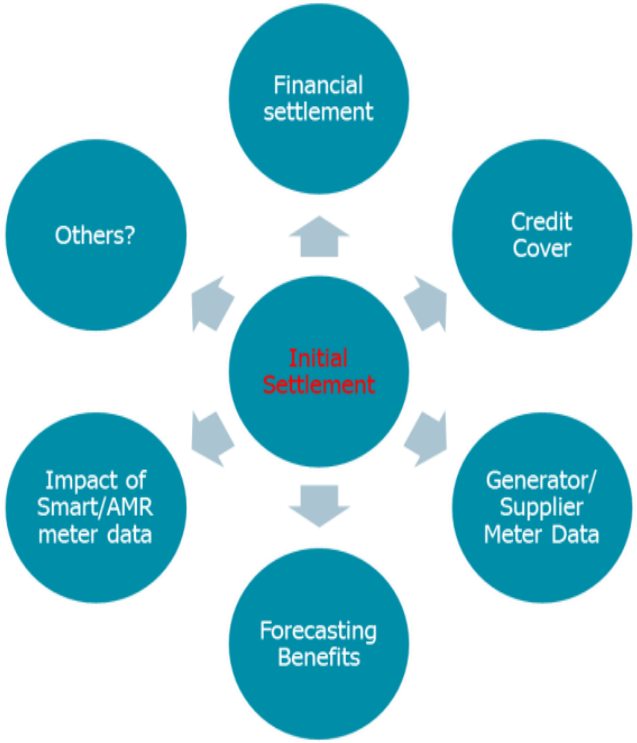
- The WG noted the proposed timetable set by WG2 and the comments from the SRO:



- The WG noted that time had been built in for data marshalling as well as processing timescales. It was felt that these could be reduced with an future architecture and was there was an interaction with the TOMs as some might be faster than others.

WG4 considerations SF (2)

- The WG noted that the key benefit identified was a reduction in credit cover:



- The WG noted the constraint provided by the need to have load shapes available and the need to then process and aggregate the data. It was felt that the 10 WD proposal from WG2 was a realistic proposal for the Business Case.

WG4 considerations Other Reconciliation Runs (1)

WG4 considered the need for reconciliation runs between SF and RF:

- They agreed with the rationales from the PSRG and ESEG:
  - that a run after SF was required to resolve errors identified in the initial run; and
  - That a run was required before the final Settlement run to identify issues to be corrected before Settlement is finalised.

  - The WG considered that a run of >30 WD would capture all the monthly collected metering system data that was successful at first request. This would be similar to the existing R1 Settlement Run.

WG4 considerations Dispute Runs (1)

- The WG discussed Dispute Runs:
  - Were they required? – Yes, Supplier's would require an opportunity to correct data after RF. The thresholds for disputes could be reconsidered though.
  - The WG discussed the interaction with Supplier back-billing that was limited to 12 Months.
  - The WG agreed that tying the dispute run to this limitation would give a rational for proposing DF at 12 months.

WG Recommendations

WG4 Recommends that:

- RF should be moved 4 months (R2) in the Target end state;
- The potential DCC costs for shorter collection timescales should be established;
- That the initial Settlement Run should be set at 10 WD;
- That an interim reconciliation run be undertaken after the first month of data collection (similar to the R1 timing);
- That a dispute run should be set to 12 months to align with Supplier back billing limitations; and
- That the Interim Information run be retained at 4 WD to identify any issues with the identify any issues with Central Volume Allocation (CVA) data for generators and Grid Supply Point (GSP) metering such that they could be resolved prior to Initial Settlement (SF).