HEADLINE REPORT

MEETING NAME	Design Working Group (DWG) – Market-wide Half Hourly Settlement SCR
Meeting number	11
Date of meeting	18 September 2018
Purpose of paper	Information
Classification	Public
Synopsis	Summary of the eleventh DWG meeting and actions arising.

1. Introduction

1.1 ELEXON introduced the eleventh DWG meeting and set out the meeting objectives. These were to:

- Obtain feedback on the progress of the DWG's four workgroups and the draft service requirements;
- Consider specific design recommendations from Workgroup 4;
- Consider the potential benefits of the Registration Service forming the definitive record of who provides which service under the Target Operating Model (TOM); and
- Agree an initial approach to evaluating the remaining TOMs.

2. Ofgem update

2.1 Ofgem noted that, on 17 September 2018, it published its consultation on supplier agent functions under market-wide settlement reform. The closing date for responses is 12 November 2018.

2.2 Ofgem noted that it also provided an accompanying policy steer to the DWG by email on the same date. This was discussed in detail under Item 6 below.

3. Workgroup progress report – DWG11/01

3.1 ELEXON presented the progress report, containing the workgroups' draft service requirements.

3.2 ELEXON advised that, since it submitted the report, the workgroups have held a combined gap analysis meeting on 12 September 2018. This focused on the interfaces between the different services set out in the TOMs. The exercise identified a variety of minor actions which ELEXON is now progressing with the individual workgroups. Each workgroup will therefore meet again in October 2018, to refine the requirements ready for the DWG meeting on 13 November 2018.

3.3 ELEXON also advised that its Business Analysis team has provided suggestions for improving the categorisation of requirements and usability of the spreadsheets, which it is addressing in parallel. ELEXON noted that it will also start to consider how the accompanying report will explain the TOMs and requirements to a lay audience.

3.4 DWG members had no comments on the format of the requirements or the process followed to develop them. However, some members commented that it will be difficult to provide meaningful costs in response to Ofgem's Request for Information (RFI) in Spring 2019 without a clearer steer from Ofgem on:

- Which organisations will/may provide the different TOM services (i.e. which services needed to be costed by different types of participant); and
- The target architecture.

3.5 The DWG noted that it has deliberately developed the service requirements to be unconstrained in these areas, but that there is a potential risk of missing or duplicated costs without further guidance in the RFI. Ofgem and ELEXON agreed to discuss this further outside the meeting.

4. Workgroup 4 – Recommendations on Settlement timetable

4.1 ELEXON presented the recommendations of Workgroup 4 'Aggregation and Volume Allocation Services and Registration Interaction' on reducing the Settlement timetable under Market-wide Half Hourly Settlement (MHHS).

4.2 ELEXON walked the DWG through previous analysis undertaken by the Electricity Settlement Expert Group (ESEG) and Profiling and Settlement Review Group (PSRG) in 2014, and the assessment conducted by Workgroup 4. It advised that the workgroup's key recommendations on Settlement timescales are as follows:

- Interim Information (II) Run – 4 Working Days (unchanged from now)
- Initial Settlement (SF) Run – 10 Working Days (reduced from 15 Working Days)
- Interim Reconciliation Run – 33 Working Days, similar to current R1 Run timing
- Final Reconciliation (RF) Run – 4 months (reduced from 14 months), similar to current R2 Run timing
- Final cut-off for Disputes (DF) Run – 12 months (reduced from 28 months), aligns with Suppliers' existing 12-month limit on back billing.

4.3 ELEXON advised that the recommendations are just on Settlement timings and do not prejudge any subsequent review of the Performance Assurance Framework (PAF) targets.

4.4 ELEXON noted Ofgem's steer that the DWG should pursue an ambitiously-shortened Settlement timescale. Ofgem also noted the desirability of reducing the amount of Credit Cover that Parties need to lodge to cover their liabilities in the period before the SF Run. ELEXON advised that the workgroup has balanced the desire to shorten Settlement timescales against:

- The need to derive initial load shapes and then obtain actual reads for 'dumb' Meters, or for smart Meters where the customer has opted out of sharing its Meter data for Settlement;
- The need for a window in which to identify and correct Meter faults and Settlement Errors (noting that identification may take longer than correction);
- The desirability of avoiding an asymmetry in the cut-offs for billing and Settlement adjustments; and
- The risk that shorter collection timescales for Meter data may result in significant costs for the Data and Communications Company (DCC) and thereby negatively impact the Business Case for MHHS.

4.5 The DWG discussed the need for the workgroup to be clear on the fundamental purpose of each Settlement Run.

4.6 A DWG member commented that the existing Settlement timetable is inefficient by design, being built around 20-year old Meter technology. They argued strongly that the design of the MHHS timetable should be unconstrained by concerns about DCC capability and that the DWG should assume the DCC has service levels to deliver MHHS. ELEXON and other DWG members noted that establishing the existing DCC baseline of read capability is proving difficult even with the existing service levels, and therefore the workgroup is hesitant to shorten timescales further. ELEXON noted that it is meeting with Ofgem and the DCC to discuss this.

4.7 The DWG asked for further details on the analysis undertaken by the workgroup on existing Settlement performance, and whether any further analysis can be undertaken in this area – in particular for the existing Half Hourly (HH) / advanced Meter market. A member suggested analysing the movement in energy volume and money between Parties at different Settlement Runs, and comparing this to the cost of undertaking the

runs. There were differing views between DWG members on whether analysing existing Non Half Hourly performance can provide any meaningful insights for MHHS. Some members commented that this is driven by the existing NHH estimation process and that an actual read may not necessarily be correct or more accurate than an estimate.

4.8 The DWG discussed the trade-off between shortening the timing of RF and increasing the potential number of Trading Disputes. It also considered that shortening the cut-off for Trading Disputes could result in uncorrected Settlement Errors. It asked the workgroup to ensure that it has considered the following, and not just Disputes relating to the Supplier Volume Allocation (SVA) metered market:

- Central Volume Allocation (CVA) errors, for example in Grid Supply Point metering or Aggregation Rules, which can have a significant materiality but may remain undetected for a long time; and
- Errors in the Unmetered Supplies (UMS) market, where some data is still recalculated after a year.

4.9 A DWG member suggested that there might be merit in reviewing the scope of the Dispute service more widely, for example the Settlement Error criteria. They also suggested that Disputes could be easier to settle following the introduction of a single cash-out price. ELEXON agreed to feed this back to its PAF Review team for consideration and confirm to what extent the PAF Review is considering the Disputes process.

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

5.1 At its previous meeting on 22 August 2018, the DWG discussed the potential for the Registration Service to act as a 'single source of truth' for agent appointments, as an alternative to perpetuating the current Supplier-driven appointment model.

5.2 At the DWG's request, ELEXON presented its further thoughts on the potential benefits of this approach. It also identified some areas of detail that would need to be considered.

5.3 The DWG discussed the issues associated with the current process, noting that the current multiple 'sources of truth' can result in having no agent or multiple agents appointed. This can cause missing or duplicated Settlement data. Some DWG members agreed that using the Registration Service as the definitive record could resolve this, by removing any potential disagreement on who is responsible for a Meter and ensuring that a Meter cannot disappear from Settlement. They noted that there would still be details to agree around rejections and customer-appointed agents.

5.4 A DWG member strongly disagreed with the suggestion. They believed that it:

- Represents scope creep;
- Reopens a decision already made under the Faster Switching Significant Code Review (SCR);
- Prejudices the outcome of who performs which roles (noting these will not necessarily be 'agents');
- Requires a new interface between the Central Switching Service (CSS) and the Supplier Meter Registration Service (SMRS); and
- Potentially conflicts with Ofgem's review of future supply market arrangements.

5.5 ELEXON and other DWG members clarified that:

- The Faster Switching SCR has discussed whether to include all the content of the SMRS (including agent appointments) within the CSS, but has decided against this since the SMRS contains many other data items that are specific to Settlement. It has therefore agreed to leave the SMRS as the Settlement 'registration service' and include in the CSS only those data items needed for Change of Supplier.
- In the TOMs, the 'Registration Service' will perform a similar function to the SMRS. The SMRS in its existing form 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.

- While 'agent' is not the best terminology, the TOMs require a set of services that will need to be provided – there is therefore the opportunity to use the SMRS as the definitive record of who is providing these services.
- The TOMs have no impact on the CSS, and do not require an interface between the CSS and the Registration Service.

5.6 ELEXON and other DWG members therefore believed that there is no conflict with other Ofgem reviews. Ofgem agreed to confirm that this is the case.

5.7 However, the DWG agreed that it is not possible to take the suggestion forward until it has received Ofgem's detailed policy steers and selected a final TOM at the DWG meeting on 13 November 2018. Some members also commented that a steer on the target architecture is needed before it can be progressed.

6. Approach to TOM evaluation and selection

6.1 ELEXON noted that it had provided slides before the meeting, setting out the pros and cons of different potential approaches to evaluating the remaining TOMs. It noted that these have since been superseded by Ofgem's consultation and policy steer on agent functions.

6.2 Ofgem noted that Chapter 3 of the consultation sets out its 'minded to' position that:

- MHHS should not centralise agent functions that will still be required in future;
- Data collection and meter operation should not be centralised; and
- There may be a case for data not being aggregated in future for submission into central Settlement systems.

6.3 Ofgem advised that its steer to the DWG is therefore to proceed with the TOM design on the basis of the above 'minded to' position. For the purposes of its design work, the DWG should therefore:

- Assume that retrieval and data processing services are competitively provided;
- Assume that metering and meter reading services are competitively provided; and
- Assess whether having a separate Aggregation Service (outside of central Settlement) is desirable or necessary given current and likely future improvements in technology and, if the DWG decides that it is, assume that this is competitively provided.

Ofgem will provide an updated direction as part of its 'least regrets' policy steer in late October/early November 2018. If this is different to the above, the DWG will need to consider the impact on its work plan.

6.4 ELEXON queried the intention behind the reference in the consultation to 'a TOM that does not include data aggregation'. Ofgem clarified that its question for the DWG was whether a separate Aggregation role is desirable or necessary, taking into account the TOM Design Principles, or if the central Settlement system should receive disaggregated Meter data and perform the summation as part of its Settlement calculations. ELEXON noted that combining the Aggregation Service with the Volume Allocation Service (VAS) is a variant of TOMs A and D, and that this does not require a new TOM. It clarified that aggregation would still form part of the TOM; it would just be performed by the VAS.

6.5 ELEXON invited the DWG to discuss the merits of combining the Aggregation Service and the VAS. Some DWG members commented that having all the disaggregated Meter-level data in one place facilitates Distribution Use of System Charging (DUoS) billing and innovation, noting that there will be various uses for this data (or different aggregations of this data) in the future. A member suggested that it may also simplify

reconciliation, if the VAS only needs to focus on the differences in the data between runs. Other DWG members considered that the feasibility and desirability of this approach depends on the target architecture. This is because it requires the Settlement system to be able to receive a new input of Meter-level data (potentially up to 30 million Meters). The DWG noted that there will be security implications from holding all the disaggregated data in one place, but that this is also true of any potential centralised and competitively-provided Aggregation Service outside the VAS.

6.6 ELEXON invited the DWG to discuss the potential benefits of combining the Retrieval Service and Processing Service. It noted that, at the gap analysis meeting, some workgroup members' view was that a separate Retrieval Service adds no value if it simply sends requests to the DCC and passes data to the Processing Service. Some DWG members agreed. Other DWG members considered that more clarity is needed from Ofgem on whether a 'hidden identity' service is required and whether this is separate to the Retrieval Service. The DWG therefore agreed to revisit this suggestion once it has Ofgem's policy steer on data access and privacy.

6.7 The DWG agreed that Ofgem's policy steer on agent functions has removed TOM E 'Single central service covering Retrieval through to Volume Allocation' from consideration, along with any other fully-centralised variants of other TOMs.

6.8 The DWG noted that all the remaining TOMs deliver Ofgem's Design Principles and score the same against the DWG's Stage 1 Evaluation Criteria. It considered that these are useful to confirm the viability of the TOMs, but not necessarily to distinguish between them.

6.9 The DWG agreed with ELEXON and Ofgem's suggestion to use a decision-tree approach to help narrow down the remaining TOMs. The DWG agreed that it will focus on the differences between the TOMs and the pros and cons of each.

6.10 The DWG agreed that the steer from Ofgem on agent functions means that it no longer needs to wait until the November meeting to start evaluating the remaining TOMs. It therefore agreed to hold an extra meeting on 18 October 2018. ELEXON will refine its evaluation approach for this meeting.

6.11 Some DWG members remained concerned that it may not be possible to complete the evaluation without a steer on the target architecture, for the reasons given earlier in the meeting.

7. Review of RAID log

7.1 The DWG did not complete this agenda item due to time constraints.

8. DWG10 Headline Report and actions log

8.1 ELEXON confirmed that the previous meeting's Headline Report has been published.

8.2 ELEXON provided updates on open and recently-completed actions, as summarised on the next page.

9. Summary, actions and next steps

9.1 ELEXON noted that the key next steps are for it to:

- Arrange the extra DWG meeting for 18 October 2018;
- Refine its TOM evaluation approach for the October meeting;
- Clarify how and when consideration of the target architecture fits into the DWG/SCR timetable;
- Hold meetings of the four workgroups throughout October to:
  - Consider the areas raised in the gap analysis meeting;

- Consider the DWG's comments on the proposed Settlement timetable (Workgroup 4); and
- Refine the service requirements ready for the DWG meeting on 13 November 2018.

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 with the final TOM requirements.

09/01 – Consider further the merits of the DWG setting capability requirements for any TOM architecture, provide guidance on what areas these requirements could cover, and clarify where this could fit into the DWG's Stage 2 process – Open – This is ongoing.

10/02 – ELEXON to discuss with Workgroup 4 how to mitigate any opportunity for gaming the load shapes if Ofgem makes an 'Opt-out' decision on data access/privacy – Open – ELEXON has shared an initial proposal, and is continuing to discuss this, with Workgroup 4. Due date updated to the November 2018 DWG meeting.

10/03 – ELEXON to bring thoughts to the next DWG on how the Registration Service could act as the 'single source of truth' for agent appointments, using the previous Faster Switching discussions as a starting point – Closed – See item 5 above.

10/04 – ELEXON to bring a proposal to DWG11 on how the DWG could evaluate the remaining TOMs – Closed – See item 6 above.

10/06 – ELEXON to update the Forward Work Plan to reflect the changes to the Gantt chart, as discussed at DWG10 – Open – ELEXON is drafting the changes.

11/01 – ELEXON to consider how its report will explain the TOMs and service requirements to a lay audience - Open.

11/03 – ELEXON to establish the baseline of DCC read capability – Open.

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.

11/05 – ELEXON to share DWG members' suggestions on the Disputes process with its PAF Review team, and confirm to what extent the PAF Review is considering Disputes.

Actions on other members:

08/03 – Ofgem and ELEXON to investigate what materials are available on the lessons learned from Project NEXUS – Open – ELEXON has been unable to find anything that is available publicly. Ofgem is considering what can be shared from the Ofgem/PwC lessons learned exercise and intends to provide an update to the DWG meeting on 13 November 2018.

08/05 – Ofgem to consider the merits of having a joint set of innovation scenarios for Faster Switching and MHHS – Open – Ofgem is still discussing internally.

11/02 – Ofgem and ELEXON to discuss what further guidance the RFI may need to include on architecture and service provision.

11/06 – Ofgem to confirm that using the Registration Service as the definitive record of TOM Service providers does not conflict with its Faster Switching SCR or its review of the future retail market arrangements.