HEADLINE REPORT

MEETING NAME	Design Working Group (DWG) – Market-wide Half Hourly Settlement SCR
Meeting number	17
Date of meeting	1 May 2019
Purpose of paper	Information
Classification	Public
Synopsis	Summary of the seventeenth DWG meeting and actions arising.

1. Introduction and meeting objectives

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

- Review outputs from the transition work streams for each market segment
- Agree an overall, high-level 'critical path' for transitioning from the current Settlement arrangements to the Target Operating Model (TOM)
- Agree the Settlement timetable transition approach

1.2 The DWG paid respects to former member Eric Graham, who had passed away the previous week. ELEXON is to find out more details about the memorial service and will update DWG members in due course.

2. Ofgem SCR update

2.1 Ofgem confirmed that:

- It plans to publish its policy decisions (on data access/privacy and on agent functions) as soon as possible, and in the meantime the DWG should continue working to the 'least regrets' steer provided in November 2018
- It is drafting its Request for Information (RFI) in parallel with the policy decisions, and currently intends to publish a draft for comment in June 2019
- It will be appointing two new members to the DWG before the next meeting.

2.2 Ofgem noted that the minutes of the Gas and Electricity Markets Authority (GEMA) meeting on 30 January 2019 record its decision to proceed with an opt-out data access/privacy regime.

2.3 ELEXON noted the potential confusion for participants on the differences between the DWG's and Ofgem's deliverables (e.g. between the DWG's transition consultation and Ofgem's RFI) and how they fit together under the SCR. It agreed to include an explanation in the consultation document as well as a copy of Ofgem's launch statement diagram showing the SCR milestones/timeline.

Action 17/01

3. Review outputs of transition work streams

3.1 The DWG discussed at length the outputs of the transition work streams for the Advanced, Smart and Non-Smart, and Unmetered Supplies (UMS) market segments. The outputs for each market segment were:

- A transition milestone plan (diagram)
- A more detailed explanation of each milestone (spreadsheet)

ELEXON also provided presentation slides. In addition, it had circulated a draft structure for the transition consultation document, and invited members to provide any comments on this outside the meeting.

Advanced market segment

3.2 The DWG:

- Agreed with the need to identify Advanced-capable Meters that are currently in the Non Half Hourly (NHH) market
- Agreed that the transition approach for this segment has a dependency on the cutover between the current and TOM data aggregation arrangements
- Agreed with the proposed approach of 'adopting' all existing Advanced Half Hourly (HH) Meters and then 'migrating' all existing Advanced NHH Meters
- Discussed the risk of customers moving back to NHH but agreed that making HH Settlement (HHS) a 'one-way gate' would be a barrier to switching
- Agreed that, while the transition approach is based on adopting/migrating all existing Advanced Meters, the expectation is that in the target end state only current transformer (CT)-metered sites will have an Advanced Meter on an enduring basis
- Agreed that if an Advanced Meter on a whole current (WC) site is replaced with a SMETS[1] Meter, then this moves to the Smart and non-Smart segment
- Agreed the approach of adapting the scope of BSC Procedure (BSCP) 502[2] to cover Advanced Retrieval and Processing, and covering SMETS Meters in a separate BSCP, as this facilitates an earlier move of Advanced Meters to the TOM.

Smart and non-Smart market segment

3.3 The DWG:

- Agreed that creation of a new Smart Energy Code (SEC) user role for the Smart Data Service (SDS) is a key dependency in this segment's transition approach
- Agreed with the concept of 'deployment', where the SDS interfaces become operational, after which there would be a period of parallel running before 'go live'
- Agreed the need for a minimum number of SDS providers to be in place before go live, in order to initiate the Load Shaping Service
- Agreed that the first customers to be moved should be those for whom Settlement Period-level data can be obtained, with those on register reads to follow
- Discussed the risk that this approach could cause a drop in NHH performance, and agreed that any performance targets during the transition period should not penalise or be a disincentive to moving customers early (see also Item 5 below)
- Noted that the milestone diagram contains no horizontal arrows, reflecting that the milestones could be happening simultaneously
- Noted ELEXON's proposal to move milestone SNS1.24 so that it appears after 1.22 and reword it to read 'When the SDS can be appointed to MPANs[3]'.

3.4 Ofgem asked the DWG to consider if full implementation of the TOM is dependent on the timescales needed to put the target architecture in place and, if so, whether greater use could be made of the elective HHS process as an interim way of achieving the benefits of HHS.

[1] Smart Metering Equipment Technical Specifications.

[2] 'Half Hourly Data Collection for SVA Metering Systems Registered in SMRS'.

[3] Meter Point Administration Numbers.

3.5 The DWG noted that the target architecture is still to be agreed and therefore associated timescales are unknown. However, it discussed the idea and noted the following potential issues with this approach:

- The existing elective process was only designed to cater for a limited population of customers who wish to make use of certain Time of Use (ToU) tariffs, and who have Suppliers who can offer these tariffs – it was designed to complement the existing NHH arrangements but not to replace them
- Use of the existing elective process is therefore at the commercial choice of the Supplier and needs to be commercially beneficial for both customer and Supplier – while the DWG's TOM transition approach does not create any barriers to using the elective process, it is therefore unlikely there will be a significant increase in the number of customers or Suppliers using the elective process voluntarily
- The existing elective process is intended to allow for a Change of Measurement Class from HH back to NHH (e.g. where the customer subsequently wishes to change tariff or Supplier) – if the elective process was used for mass migration of customers to HHS, this could not prevent customers 'flipping' between HH and NHH on a Change of Supplier and this issue could be exacerbated under Faster Switching
- The DWG has 'designed out' the above issues in the TOM to ensure that HHS can be maintained irrespective of the tariff, customer's opt-in/out preference or their chosen Supplier
- While improvements to the elective process could be considered, some of the impacts and costs incurred in using this as a 'stepping stone' to the TOM would be additional to the TOM implementation costs – and could therefore potentially divert effort from achieving the earliest implementation of the optimal TOM solution.

3.6 ELEXON agreed to set out in the consultation document how the two possible paths to the TOM diverge (i.e. with and without use of the elective HHS process as an interim step). It also agreed to include a question in the consultation on whether it is feasible to use the elective HHS process to migrate large amounts of customers to HHS as an interim step in the transition process.

Action 17/02

Unmetered Supplies market segment

3.7 The DWG:

- Noted that the implementation of Distribution Connection and Use of System Agreement (DCUSA) Change Proposal (CP) 268 in April 2021 will remove the UMS Distribution Use of System (DUoS) tariff and move customers to HH tariffs – removing the need for the tariff milestones shown in the transition plan
- Agreed that, as with the Advanced segment, agents will be operating a mix of old and new processes at the same time during the transition period (and potentially for the same Balance Responsible Party)
- Agreed that, while this adds complexity, a period of parallel running is inevitable.

4. Agree overall transition critical path

4.1 The DWG agreed ELEXON's proposed overall transition approach (integration work stream), having covered many of its aspects under Item 3.

4.2 The DWG agreed that there can be a point at which participants are operating TOM-compliant processes even if full TOM implementation using the target architecture is not complete.

4.3 The DWG agreed to review the work stream outputs further outside the meeting (especially the dependencies and whether any milestones are missing) and to provide any comments in time for DWG18.

Action 17/03

4.4 ELEXON advised that it will issue the draft consultation document to the DWG on 14 May 2019, for discussion at DWG18 on 22 May. The purpose of this meeting will be to agree the consultation document and questions. The DWG agreed to bring thoughts on any specific consultation questions to the meeting.

Action 17/04

4.5 The DWG noted that ELEXON plans to issue the consultation on 7 June 2019 (following the Design Advisory Board meeting on 4 June) for four weeks.

5. Update from PAB on MHHS/PAF interactions

5.1 ELEXON presented an update on the Performance Assurance Board's (PAB's) discussions of the impacts of MHHS on the Performance Assurance Framework (PAF), following the DWG's letter in November 2018. This included the PAB's discussion of PAB paper 219/05 at its meeting on 25 April 2018.

5.2 ELEXON advised that, in summary, the PAB:

- Has sought to answer the questions set by the DWG in its letter
- Considers that the existing PAF, as amended by the PAF Review, is flexible, dynamic and responsive enough to identify and address both current and future Settlement Risks, including those arising from MHHS
- Recommends that it would be premature/unnecessary to set any performance targets now, as these can be set nearer the time once more data is available to support analysis of the appropriate targets
- Did not propose a specific timescale for the Post-Final Settlement (DF) Run, but noted discussion at the Trading Disputes Committee (which also did not propose any specific DF timing)
- Suggested that there could be a long Disputes 'tail' to the Settlement timetable if there is a tiered or ratcheted materiality threshold for raising Disputes within this window (i.e. the longer an error has gone uncorrected, the higher the materiality threshold that would need to be exceeded in order to correct it through a Trading Dispute).

ELEXON noted its understanding that the PAB would be writing to the DWG in due course.

Performance targets – Approach

5.3 ELEXON suggested that, while it may be too early to set performance targets, the DWG could agree a set of principles that it recommends the PAB should apply when setting any targets. ELEXON also suggested that the DWG's transition consultation advices participants on what assumptions they should (or should not) make regarding the eventual performance targets.

5.4 The DWG agreed this approach and the assumptions/principles set out below.

Performance targets – Assumptions

5.5 The DWG agreed that participants:

- Should assume that the performance serials will not be the same as currently for either NHH or HH
- Should assume that the performance serials could be configurable/adaptable and set by the PAB
- Should not assume that the serials will be based on Actuals and Estimates as these are currently defined.

ELEXON agreed to include a plain English explanation within the consultation document of the different types of 'actual' and 'estimated' reads under the TOM.

Action 17/05

Performance targets – Principles

5.6 The DWG agreed that:

- The performance serials should not act as a disincentive for moving to HHS
- The performance serials should maintain pressure on current HH performance
- Parties should not be penalised for poor performance due to events outside their control (for example, any Data and Communications Company outages)
- Parties should not be penalised for customer choice (for example, a customer choosing not to have a smart Meter or to opt-out of sharing their smart Meter data)
- Performance serials could be flexed by market segment, Measurement Class and/or Meter type.

DF Run timing

5.7 The DWG noted that Ofgem's design principles for the TOM refer to reducing the Settlement timetable, including the timings of any necessary Post-Final Settlement Runs. The DWG agreed the need to include a timing for the DF Run within its consultation and that this should therefore be less than the current 28 months.

5.8 ELEXON noted that, while the DWG had originally proposed a DF Run timing of '12 months or longer', it had expressed hesitancy over whether this was too short. ELEXON noted the same hesitancy from the PAB and TDC, but that neither had proposed a specific alternative timing. ELEXON reiterated the difficulties, discussed at DWG meetings 11 and 12, in undertaking analysis that can predict performance or Settlement Errors under the TOM.

5.9 ELEXON suggested that, from a scheduling perspective, it made sense for the DF Run cut-off to be a multiple of the Final Reconciliation (RF) window (which will be four months under the TOM). The DWG considered potential cut-offs of 16, 20 and 24 months. It agreed to progress a DF Run of 20 months, on the basis that this gives two years from the Settlement Day to correct any residual Settlement Errors. This also means that data only needs to be retained under the BSC for two years.

5.10 The DWG agreed with the PAB's proposal to apply a ratcheted materiality threshold that increases throughout this 20-month window. It agreed that the PAB could agree the exact threshold levels closer to the time.

5.11 The DWG noted that one of the issues with the current DF Run process is that participants can submit revised reads into that run even if these are not part of an authorised Trading Dispute. The DWG considered that this diminishes the value of the RF Run. It agreed that the TOM presents an opportunity to prevent this occurring, since all Meter data will be stored centrally. It agreed that the TOM should include a requirement that the BSC Central Settlement Services should not process any data received after RF unless it forms part of an authorised Trading Dispute. ELEXON noted that this could be similar to the process for profiling data, which is time stamped. This would mean that participants could still submit data after RF (potentially useful if subsequently needed), but it would not be processed in Settlement. ELEXON agreed to add this requirement to the consultation document.

Action 17/06

5.12 The DWG agreed that this also means that only the BSC Central Settlement Services will need to retain data after RF for Settlement Run purposes, although participants will still need to keep any data required to support the BSC Audit process.

5.13 The DWG reiterated that one of the other advantages of the TOM is that holding the data centrally means that only participants who are affected directly by a Trading Dispute need to provide revised data to Settlement after RF. The BSC Central Settlement Services will then process the data for those affected MPANs.

5.14 The DWG noted that post-RF Settlement Errors can also be corrected through Extra Settlement Determinations (ESDs). However, it agreed that these are a less efficient and more limited mechanism than rerunning Settlement.

6. Agree Settlement timetable approach

6.1 ELEXON presented its view of the potential pros and cons of leaving the Settlement timetable cutover until the end of the transition period.

6.2 The DWG:

- Agreed that the simplest approach to implementing the revised Settlement timetable is to wait until all MPANs are being settled under the TOM
- Agreed that the TOM needs to be in place (i.e. all NHH MPANs moved to the TOM) before reducing the timing of the Initial Settlement (SF) Run, as this is reliant on the Load Shaping Service
- Discussed the potential to reduce the timings of different Settlement Runs at different times – for example, reducing the RF Run timing before the SF Run timing
- Discussed the potential to 'cut off' different segments at the current Second Reconciliation (R2) Run at different times, with Settlement no longer processing data for the given segment after R2
- Considered that the above approach could deliver forecasting benefits for Parties
- Agreed that the DF Run timing cannot be shortened until all Meter data is being received by the BSC Central Settlement Services, due to the impact on Data Aggregators
- Ruled out the approach of gradually reducing the gaps between Settlement Runs
- Discussed the potential to reduce the Settlement timetable gradually, though did not identify any benefits of changing it more than once
- Agreed, after discussing all of the above, that transition to the reduced Settlement timetable would not occur until changes to the BSC Central Settlement Services have gone live
- Agreed that the consultation document should define the different trigger points for reducing the timings of the SF, RF and DF Runs (for example, the penetration of smart Meters and the number of Meters being settled under the TOM)
- Agreed that the decision on when to reduce the Settlement timetable could be taken nearer the time, based on market monitoring against these trigger points.

7. Agree initial content of Transition RAID Log

7.1 The DWG agreed that the RAID log should be updated with Risks, Assumptions, Issues and Dependencies relating to the transition approach. It noted that previous versions of the log had focused on the TOM design.

7.2 ELEXON agreed to bring suggested content to DWG18 for discussion.

Action 17/07

8. Actions

8.1 ELEXON confirmed the status of the actions from previous meeting (see update below).

8.2 ELEXON confirmed that it has published the DWG16 Headline Report on its website.

9. Summary and next steps

9.1 The next DWG meeting will be on Wednesday 22 May 2019 to:

- Review and agree the draft transition consultation document
- Agree the consultation questions
- Agree the transition content for the RAID log.

ACTIONS UPDATE

Actions on ELEXON:

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.

16/02 – ELEXON to discuss further with Paul Saker / Andy Jones whether creating additional Load Shape Categories (e.g. Economy 7) would resolve the tariff concerns created by removing Standard Settlement Configurations. ELEXON to revisit this with the DWG once it has Ofgem's policy decision on Data Access / Privacy – Open.

16/03 – ELEXON to meet with the Low Carbon Contracts Company (LCCC) about its consultation response, to understand further any consequential impact of the TOM on the Electricity Market Reform (EMR) arrangements – Open – ELEXON and Ofgem are meeting with LCCC on 7 May 2019.

16/04 - ELEXON to publish a Newscast / website article thanking TOM consultation respondents and highlighting the key messages that the DWG has taken from the consultation, as set out under item 3 above – Closed – Published on 23 April 2019.

17/01 – ELEXON to include in the transition consultation document an explanation of the differences between the DWG's and Ofgem's deliverables, as well as a copy of Ofgem's launch statement diagram showing the SCR milestones/timeline – Open.

17/02 - ELEXON to set out in the transition consultation document how the two possible smart Meter paths to the TOM diverge (i.e. with and without use of the elective HHS process as an interim step). ELEXON to also include a consultation question on whether it is feasible to use the elective HHS process to migrate large amounts of customers to HHS as an interim step in the transition process – Open.

17/05 - ELEXON to include a plain English explanation within the transition consultation document of the different types of 'actual' and 'estimated' reads under the TOM – Open.

17/06 – ELEXON to add a requirement to the transition consultation document that the BSC Central Settlement Services should not process any data received after RF unless it forms part of an authorised Trading Dispute – Open.

17/07 – ELEXON to bring suggested transition content for the RAID log to DWG18 – Open.

Actions on other members:

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.

17/03 – DWG members to review the work stream outputs further outside the meeting (especially the dependencies and whether any milestones are missing) and provide any comments in time for DWG18 - Open.

17/04 – DWG members to bring thoughts on any specific transition consultation questions to DWG18.