

CONSULTATION ON THE DWG'S TARGET OPERATING MODEL FOR MARKET-WIDE HALF HOURLY SETTLEMENT

OFGEM FOREWORD



Making a positive difference
for energy consumers

Ofgem welcomes this consultation from the Design Working Group on the Preferred Target Operating Model (TOM) for Market-wide Half-Hourly Settlement (MHHS).

To maximise the opportunities provided by a smart flexible energy system, we launched the Settlement Reform Significant Code Review in July 2017 with the objective of developing and then (subject to an Impact Assessment) implementing an enduring process to enable Market-wide Half-Hourly Settlement. One of the key products of the Significant Code Review is the development of a TOM, outlining how Settlement arrangements (including market participants, industry organisations, and code bodies) will need to change to deliver Market-wide Half-Hourly Settlement.

The TOM design work has been developed for Ofgem by the ELEXON-chaired Design Working Group. The Group has met monthly since October 2017 and during this time has produced five high level 'skeleton' TOM options, which we approved in April 2018. This concluded the first stage of the TOM design work. Since then, the DWG has taken forward the five skeleton TOMs, developed the more detailed service requirements, evaluated the different TOMs in light of Ofgem's Design Principles and policy steers, and chosen a preferred TOM. We would like to thank ELEXON and all the members of the Design Working Group and its supporting workgroups for providing their time, experience and expertise to work on this important product and for delivering a preferred TOM in a timely manner.

This consultation document and associated DWG recommended TOM report have been prepared by the Design Working Group to inform stakeholders about their proposed TOM and seek your input on the design and evaluation work to date. Market-wide Half-Hourly Settlement is a fundamental market reform, which will impact both existing and future participants in the energy market. It is important that stakeholders who have not been directly involved in the TOM design work are provided with the opportunity to review and give input at key stages. For this reason, I would encourage all stakeholders to take the opportunity to look at and respond to the consultation document. The responses will help Ofgem make the final decision on the TOM and will feed into the Full Business Case decision on when and how to implement MHHS.

Further information on the Settlement Reform project and the Significant Code Review as a whole can be found at the [Ofgem website](#).

Thank you for your interest in this important reform and we look forward to hearing from you on the TOM design work.

Anna Stacey

Head of Settlement Reform

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Why am I being consulted?

The Design Working Group (DWG) is an Ofgem industry group, chaired and facilitated by ELEXON. This is the DWG's consultation on its recommended Target Operating Model (TOM) for Market-wide Half Hourly Settlement (MHHS).

The DWG's development of the TOM forms a key output of Ofgem's Significant Code Review (SCR) on Electricity Settlement Reform. On 30 January 2019, the DWG submitted its report to Ofgem on its recommended TOM:

<https://www.ofgem.gov.uk/publications-and-updates/design-working-group-preferred-tom-report>

This is your opportunity to comment on the TOM, as designed by the DWG, before Ofgem makes the final decision on whether to approve it. MHHS is a fundamental reform which will impact both existing and future participants in the energy market. The DWG therefore encourages views from all stakeholders.

How do I respond?

Please email your response to dwgsecretary@elexon.co.uk by 5pm on Friday 15 March 2019, using the subject line 'DWG TOM consultation response'.

Please use the attached Word response form where possible, to make it easier for the DWG to identify and summarise views. To help the DWG understand your response, please provide supporting reasons for your answers.

The DWG will discuss the consultation responses at its next meeting. We will then share the responses with Ofgem, along with the DWG's commentary on the responses. The DWG may not be able to consider late submissions.

Please mark clearly if any aspect of your response is confidential. Any information marked as confidential will not be published by ELEXON or considered by the DWG, but will be shared with Ofgem. We encourage you to provide non-confidential responses where possible to inform the DWG's discussions.

Who can I contact with any questions?

ELEXON's MHHS team will be happy to help. Please email them at dwgsecretary@elexon.co.uk.

How do I link the consultation questions to the report content?

The basis for this consultation is the DWG's report to Ofgem on its recommended TOM.

Below we show which sections of the DWG's report contain the information relevant to each consultation question.

Question 1	Do you agree with the DWG's recommended TOM as a basis for delivering Market-wide Half-Hourly Settlement? <i>Please list any elements that should be changed or improved.</i>
Relevant report sections: Executive Summary, Introduction, Section 2 'Scope, design approach and the future role of the Supplier', Section 5 'Overview of the DWG recommended TOM', Section 6 'Service Overview (Summary Guide)', Attachment A 'Detailed TOM Service and Data requirements'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

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Question 2	Do you agree that the DWG has identified the correct TOM, taking into account Ofgem's 'least-regrets' policy steers?
Relevant report sections: Section 1 'The Vision', Section 3 'TOM Design Principles and Strategic Objectives', Section 4 'Ofgem policy development', Attachment B 'DWG's development of the TOM'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

Question 3	Do you agree that the TOM captures all essential Settlement processes?
Relevant report sections: Section 5 'Overview of the DWG recommended TOM', Section 6 'Service Overview (Summary Guide)', Attachment A 'Detailed TOM Service and Data requirements'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

Question 4	Do you agree that the DWG has identified all the required data to be processed by the three Data Services (Smart Data Service, Advanced Data Service and Unmetered Supplies Data Service)?
Relevant report sections: Section 6 'Service Overview (Summary Guide)', Attachment A 'Detailed TOM Service and Data requirements'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

Question 5	Do you agree that the TOM does not hinder new market entrants, technologies and innovations?
Relevant report sections: Introduction, Section 2 'Scope, design approach and the future role of the Supplier', Section 5 'Overview of the DWG recommended TOM', Section 6 'Service Overview (Summary Guide)'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

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Question 6	Do you agree that the DWG's reduced Settlement Timetable is appropriate and achievable in the Target End State? Please identify any constraints that you believe are relevant.
Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

Question 7	Do you agree with the DWG that participants should be able to correct Settlement Errors after the Final Reconciliation Run through Trading Disputes, and for at least 12 months after the Settlement Day (subject to an appropriate materiality threshold)? <i>Please identify the number of months and materiality threshold you believe are appropriate and why.</i>
Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

Question 8	Do you agree that there are overall cost benefits to Parties from the reduced Settlement timetable? <i>Please identify any enduring cost implications of the proposed timescales.</i>
Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

Question 9	Do you agree with the nine transition principles that the DWG intends to follow when developing its approach?
Relevant report sections: Section 10 'High level development of transitional approach'	
Answer: Yes/No (delete as appropriate)	
<i>Please provide your reasons here</i>	

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Question 10 Do you have any views on the areas of design detail for further consideration?

Relevant report section: Appendix B Areas of design detail where the DWG recommends further consideration (Page 19).

Answer: Yes/No (delete as appropriate)

Please provide your comments here

Question 11 Do you have any further comments?

Answer: Yes/No (delete as appropriate)

Please provide your comments here