

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

CONSULTATION RESPONSE TEMPLATE

Respondent Information		
Name of Respondent	Paul Gath	
Name of Company	ElectraLink Ltd	
Type of Company	Central Body	
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Confidential Y/N	No	

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 this 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.

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 Any information marked as confidential will not be published by ELEXON or considered by the DWG, but will be shared with Ofgem.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	
ElectraLink agrees with the DWG recommended TOM. ElectraLink agrees that this model for MHHS promotes the opportunities for competition within the settlement arrangements.	
ElectraLink still believes, however, that there is value in promoting competition in aggregation services, given that this arrangement currently enables innovation in aggregation and data services; however, we recognise that the competition in data collection will provide the opportunity for settlement agents to provide value-adding data services to industry which we believe is vital to innovation and competition in the market.	

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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

ElectraLink believes that this TOM reflects the Least Regrets Steer from Ofgem.

ElectraLink believes, however, that Ofgem's 'least-regrets' steer does not go far enough and this principle should be extended to the system architecture also. The Energy Market Data Hub, competitively procured by ElectraLink, can support all the communication needs of retail settlement as defined under the MHHS consultation.

ElectraLink's Energy Market Data Hub (EMDH) delivers dual fuel data transfer and data access requirements to the energy market. The EMDH is connected to all the relevant parties in the new market-wide HH settlement process and can support all Half-Hourly (HH) and non-HH settlement data transfer requirements. ElectraLink also has an excellent and long-standing relationship with ELEXON, who not only utilises the existing EMDH through the Data Transfer Service (DTS) to receive settlement data, but also use the data within the EMDH to extract settlement data and underpin the PAB process.

ElectraLink acknowledges that the new market-wide HH settlement processes require a more nuanced approach to data transfer to ensure that the TOM does not stifle innovation; however, we have known that there is a requirement to enhance the data transfer services to improve innovation in the industry for some time. This is why ElectraLink invested in and developed the EMDH to enhance the data services to industry with a data lake and APIs. These additional services can be used by the existing and new settlement process.

We understand that there is a concern, from an impact assessment perspective, that when settlement traffic increases, the amount paid for use of the EMDH will increase accordingly. This is not true. The underlying costs of the regulated services under the EMDH are broadly fixed and so do not increase in proportion to usage. As the volume of traffic increases, the unit charge reduces; the more the EMDH is used, the less it costs per transaction. This, therefore, removes cost shock relating to increased or uncertain data volumes.

The industry undertook a similar review of the industry's system architecture infrastructure through the Faster Switching Programme and the industry agreed that the EMDH is the low risk, low cost and least regrets option to deliver the services and support for market transformation. We believe the same rationale holds for the transition to market-wide HH settlement.

ElectraLink does not believe there is any business case for ELEXON to procure another UK energy market communications network in support of half hourly settlement. We do believe that these communications requirements can be delivered at low risk and cost by the EMDH, a service already procured on behalf of the UK energy industry by ElectraLink. Given the level of 'unknowns' in the programme (number of smart meters; number of customers opting out of HHS; the number of new players in the market) the EMDH is the least regrets option for delivery of the system architecture, as the service can evolve with industry needs, as it has done for the past 20 years.

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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	
ElectraLink believes that this TOM captures all the essential services.	

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: N/A	
ElectraLink does not have any thoughts on the required data processed by these services.	

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	
<p>At a high level, ElectraLink does not believe that the overarching design of the new TOM will hinder new market entrants, technologies or innovations.</p> <p>However, ElectraLink cannot definitively agree that the TOM will not hinder new market entrants, technologies or innovations without an understanding of the detailed designed or system architecture. If the TOM was designed with non-standard technologies, non-standard messaging techniques or unnecessary technical/security standards and/or the new TOM was designed in such a way that it increased the cost of the settlement process for market participants, it could hinder new market entrants, technologies and innovations.</p> <p>As outlined in Question 2, we believe that ELEXON and Ofgem should consider the EMDH as the system architecture for the industry as it does not require any additional investment to meet the current foreseen needs of the MHHS data transfer and access requirements and it has the flexible governance structure (overseen by Industry, including ELEXON and Ofgem) to enable changes to be made to the system architecture, as required, to support innovation or new system requirements.</p> <p>Moreover, ElectraLink's ability to collect all DTS data flows enables ElectraLink to store, enrich and analyse the</p>	

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DTS dataset to provide insights to drive business value, innovation and operational efficiency for the UK energy market participants, including settlement agents and suppliers, as they enter the smart flexibility market. The governance structure of the DTS dataset (outlined in the Data Transfer Service Agreement (DTSA)) enables ElectraLink to provide secure access to settlement data to market actors to support innovation and drive market change.

Example of key use cases for access to the settlement data within the DTS dataset, include: National Grid's utilisation of ElectraLink's embedded generation dataset to support Grid's forecasting of embedded generation output; Ofgem's tracking of eServe ECO submissions, and ELEXON use of settlement data to support its performance assurance.

Combined with the opportunities to support innovation, ElectraLink already removes barriers to competition for new entrants through low cost connections and a service that is undifferentiated between the largest and the smallest market participants. Connections to the EMDH are provided for as little as £480 per year.

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.
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Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'

Answer: N/A

ElectraLink does not have any thoughts on the settlement timetable.

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>
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Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'

Answer: N/A

ElectraLink does not have any thoughts on the settlement reconciliation mechanism.

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>
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Relevant report sections: Section 8 'Settlement timetable', Attachment B 'DWG's development of the TOM'

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Answer: N/A

ElectraLink does not have any thoughts on the settlement timetable.

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

ElectraLink agrees with the nine transition principles and we believe that the ElectraLink can support the transition principles, if the EMDH continues to provision the system architecture to support the delivery of HHS.

ElectraLink can "minimise impacts and risk" of a phased approach with the EMDH as the system architecture for MHHS. As the EMDH is currently the mechanism for supporting the data communication for settlement, the continued use of the EMDH will enable "different market segments to transition at different times", remove any technical barriers to making "HH settlement a 'one-way gate' ...while not creating "undue barriers to customers" and removes any "dual processes". This will also reduce the cost of running two systems in parallel and the risk of transitioning from one to the other.

Moreover, the EMDH can support ELEXON with "monitoring, reporting and enforcement of participants' progress during transition" by providing centralised tracking of where participants are in the transition process.

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: No

Please provide your comments here

Question 11 Do you have any further comments?

Answer: No

Please provide your comments here