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

Question 1	Do you agree with the DWG's recommended TOM as a basis for delivering Market-wide Half-Hourly Settlement? *Please list any elements that should be changed or improved.*

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: No.

We are broadly supportive of the general mechanics and design of the proposed Half-Hourly (HH) Target Operating Model (TOM's) and the work undertaken by Elexon/DWG. However, we highlight some elements below that we believe need further consideration:

- We recognise the potential benefits of creating a single point in the market that retains HH data for all customers within the market, (the BSC Central Settlement Services). However, we have concerns that no analysis has been undertaken to understand whether this potential benefit is greater than the cost to implement / run and maintain and the additional risk associated with sending large volumes of un-aggregated personal data.
- If un-aggregated HH data is collected and retained by the BSC Central Settlement Services, thought must be given as to how this data is accessed in a secure manner. Additionally, if non-BSC parties wish to access this data, there must be a fair and transparent charging methodology. The cost of providing and maintaining any access platform should not fall to BSC parties alone.
- Again, if un-aggregated HH data is collected and retained by the BSC Central Settlement Services, thought must also be given to how different types of HH data can be segregated i.e. actual HH data from a meter will be more accurate than HH data derived from a meter reading. Equally HH data derived from a meter reading may (or may not) be more accurate than HH data that is estimated from historical data (depending on quality).
- We are concerned that the Smart Data Services Agent does not have a process to issue validated data to the supplier for billing purposes. There a number of risks associated to this:
    - Firstly, the smart meter will need to be accessed twice – both for billing and settlements purposes, this is an inefficient approach which will add cost and effect asset and infrastructure durability and longevity.
    - Secondly, as different data is being used, there is a risk of suppliers developing inconsistencies between billed and settled volumes. Current and proposed data access rules suggest that suppliers would not be able to access HH data to resolve these issues without the express permission of the customer. This scenario would make resolution very challenging, particularly where there is an error in the customers favour, and likely to increase costs for end consumers generally. What happens when incomplete data is returned from the DCC – estimation processes should align!
    - Thought will need to be given to how different consent levels will be managed for supplier billing and agent settlement access, at smart meter level. A solution could be to allow the Smart Data Services Agent to send billing data (HH, NHH – based on customer consent) to the supplier, similar to the Advanced data service agent.
- It is unclear how comparison of data for validation purposes will be undertaken within the proposed TOM. These processes are essential to maintaining a commercial model.
    - Today for existing HH sites (mainly Measurement Class C+E) supplier agent data, at site level, is

compared to Elexon industry data to validate industry bills.

  - This does not appear to be an efficient approach to validating domestic and smaller non domestic sites, therefore suppliers may start to internally aggregate this data to allow efficient validation and reporting / cost forecasting, which suggests continued data aggregation at an industry level may continue to be an efficient approach. It would be useful if a model for how validation of domestic and smaller non domestic data could be produced as part of the next stage of the TOM work.
  - Equally, settlement data must remain adequate to validate other industry bills such as network charges.

- Unmetered Supplies - Given that this is very specialist area, is there a risk that monopoly providers could be created, which would increase cost for consumers? What steps will Elexon / Ofgem take to ensure there is sufficient competition for provision of services and innovation in this segment of the market?

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: No.

We agree this TOM takes into account Ofgem's 'least-regrets' policy steer, however our points raised in Q1 remain valid concerns. It is disappointing that Ofgem have not yet provided a definitive view on access to data for settlement purposes. Predicting both customer opt-out levels and how quickly ToU tariffs are brought to the market and adopted by consumers will be challenging and uncertainty at this stage of development is likely to detract from the overall cost benefits of wider HH settlements.

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: No.

We are not convinced that all exception processes have been covered. Related to this, we would support a review of the existing settlement performance regime. The proposed TOM may create additional challenges for suppliers to meet performance levels and this is an opportunity to address both new and existing issues.

- There is an opportunity to make supplier agents (services) more responsible for data quality and

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performance levels.

- For smart meters, data reliability is a concern. We're seeing evidence that half hourly data can be intermittent and that over time, which may make performance targets more complicated.
- There must be adequate and timely information provided by the Advanced Data Service, regardless of whether they are appointed by the customer or the supplier. For example, providing data on day +1 to the supplier is not a BSC requirement today but would support settlement performance. Some customer appointed agent do not provide data at day+1, it can be as late as the 15wd giving the supplier no chance to resolve issues by SF.
- The BSC is also not clear on whether a customer nominated and appointed agent must provide hand held data if there is a metering / comms issue. Some customer appointed agents do not provide hand held reads, which not only creates competition issues in the agent market, it makes it more difficult and expensive for the supplier to meet required performance standards. This cost is often passed onto the customer.
- There is an opportunity to codify any reports and data that supplier agents (services) must provide to supplier to address issues and increase settlement performance, for example daily reports of SF/R1 impacting sites and data mismatches.
- Thought should be given to how in particular AMR meters are treated as part of the transition to HH. P272 made clear that there are specific issues that AMR meters are likely to face as part of the transition , for example AMR meters more likely to have comms related faults.
- It's likely that as part of the transition, good quality data will move to HH settlement whilst the industries 'problem sites' e.g. hard to read/access will remain NHH read. Performance targets should take this into account.

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, further comments below.

It is not clear what indicators will exist to separate domestic / non-domestic customers or any other relevant information such as presence of EV etc.. This information is likely to be needed to enable load shaping for customers that do not provide HH data.

It's also not clear whether the 3 data services will send an exception report[s] / flows (previously D0235/D095) to the supplier when there is a mismatch between registration data and consumption data. We believe this information will still be required to resolve data issues.

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
We are not aware of any new market entrants, technologies or innovations that would be hindered by the proposed TOM design, however it may be challenging for new entrants to enter the market or for innovation to develop during the transition period as customers will exist on both settlement systems. This is largely unavoidable though.

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: No.	

At this stage, we believe the question should be whether or not the proposed TOM will prevent or hinder reduced settlement timescales, not whether it is 'appropriate and achievable', it's too early and there are too many unknowns at this stage. The aim of settlements is to allocate trading charges accurately, any changes to the timescale must fully satisfy the industries need for this accuracy.

We agree that a reduced settlement timetable is possible with the proposed TOM design, however we would suggest that how, when and if the settlement timescales are reduced should wait until the industry has a clearer picture of data quality and the realistic performance aspirations that could be efficiently sustained, which is likely to be after transition to the HH TOM. We propose that further consultation and Elexon analysis would be sensible following implementation of the target end state and decisions have been made in relation to HH export data.

Further points to consider:

- Whether or not a reduced settlement timeframe is implemented should largely be driven by data quality. Ofgem are minded to allow consumers to opt out of providing HH data for settlements and the government has allowed customers to opt out of installing a smart meter. What volume of register read (NHH) data will the proposed TOM have to cater for – we just don't know! Obtaining a manual meter reading every 4 months for even a proportion of sites is very likely to be challenging, inefficient and costly. This is similar to the situation now for recently HH AMR type meters
- Industry (and therefore customer) money should not spent on developing a reduced settlement timeframe until the industry is in a position to see the full benefits.
- We would favour empowering an independent industry expert group e.g. BSC Panel to make proposals to Ofgem on when / how settlement timeframes are reduced. This would be alongside wider industry consultation.
- At this stage keep all options on the table e.g. a phased approach may be a better option e.g. reducing to 12 months initially, normalising before seeking further reductions.

It's unclear how the proposed timeframes were developed, which we have concerns about and needs additional

consideration, specifically:

- The measurement class C (99% @ SF) target works well to incentivise performance, overall industry compliance today suggests it remains challenging. This is largely based on a process using information from the initial settlement run and resolving issues before the SF run. These issues can be resolved at a data level or require a manual reading. The proposed timeframes give a very limited opportunity to fix problems between the initial and SF run. We don't see how present performance can be incentivised under the proposed timeframes
- The above point is exacerbated on change of supply where the new supplier presently has a limited but realistic period to resolve issues before the SF run, reducing this time would lead to a reduced performance at SF for some new gains.
- Some high security sites only allow data to be downloaded manually, the reduced SF timeframe would significantly increase the cost and inconvenience for the end customer.
- As per our response to question 3, we would support a PAF review for the revised TOM. A further review would be needed if and when settlement timeframes are reduced. Targets need to be realistic and cognisant of the energy volumes involved. Performance measures should be balanced against the cost of meeting them, which is inevitably picked up by the end customer. For example, the quality of an estimation should be taken into account.
- A number of industry invoices are paid on settlement runs, it is essential that this is reviewed as part of the process leading to reduced settlement timescales. Potential problems include reduced validation time and potential supplier cash flow impacts between customer billing/payment and payment of the industry invoice. This is likely to require subsequent changes in CUSC, DCUSA and other codes as part of the (significant?)code review to avoid industry billing issues.

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)? *Please identify the number of months and materiality threshold you believe are appropriate and why.*

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

Answer: Yes

Again, it's too early to have a definitive view. Indicatively we are supportive that there a trading dispute process. Data quality could dictate over time when the process can be withdrawn. Suggestions:

- To begin with, we would suggest that the trading dispute window is longer than the proposed e.g. maintain the status quo of 28 months.
- Existing BSC dispute windows are hard coded into the BSC, perhaps a flexible approach based on data quality should be introduced if settlement timeframes are reduced e.g. an expert Panel or Committee

could vote to decrease the window on an (annual?) basis.

- Consideration needs to be given to the materiality assessment and how this is calculated. An increased number of smaller sites will have smart meters fitted and then settled HH during the transition to the target end state. An understanding of any data errors that occur should drive the materiality threshold and how this is calculated for groups.

Question 8	Do you agree that there are overall cost benefits to Parties from the reduced Settlement timetable? *Please identify any enduring cost implications of the proposed timescales.*

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

Answer: No

There are benefits in reducing the settlement timescales and we are generally supportive of exploring these potential benefits once the transition to the HH target end state has been achieved. These benefits include, easier access to market for new entrants, reduced credit cover costs, reduced financial volatility and reduced industry invoice processing.

As above, when the industry moves to reduced timescales must be carefully considered and independent of the migration to wider HH settlements. Benefits must outweigh the costs of undertaking a reduction.

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, comments and additions below.

We are supportive of the high level transitional approach. There are some additional points that also need to be considered:

- The transition should seek to avoid a pricing differential between the new and old settlement system. Industry parties should pay equal costs, irrespective of the volume they settle on new / old systems. This will avoid creating a commercial advantage to anyone party, inadvertent market distortion and the risk of a few parties being responsible for excessive legacy costs.
- We would proposed that suppliers should have a choice to operate in either settlement system until the transition is complete i.e. a supplier led model to allow suppliers to transition volume to the new system based on IT capability and risk appetite. Clearly there would need to be a defined end point but the path should be supplier driven.
- Some parallel running may be inevitable to allow comparison testing, this may need to be extensive to avoid data issues.
- Depending on testing arrangements there may be GDPR questions that need review if volumes are going

to be tested in a non-aggregated format.

- During the transition, how will volume be allocated as parties are likely to be split across both settlement systems? Presumably the volume will need to be added together before groups correction is allocated?
- There should be consideration given to reducing burdens as much as possible for Parties and Party Agents during the transition i.e. any re-accreditation should be simple as possible.

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

- If Ofgem's data access policy decision is that customers can opt out of having their Half Hourly (HH) Meter data used for Settlement, there is a risk that suppliers could encourage customers with 'peaky' load to opt out of Market-wide HH Settlement (MHHS) – thereby 'gaming' against the load shapes that are applied to opted-out customers under the Target Operating Model (TOM).
- Consideration needs to be given to the scaling weights applied to GSP Group Correction and balance the risk (above) of gaming customer shape against any additional costs that may be applied to customer groups that refuse or are unable to have smart meters fitted. Some of these may be vulnerable in context.
- Supplier and Agent System Impacts including MPAS (Ecoes) system impacts: The data held in these systems will need to be amended to reflect the new services defined in the preferred TOM. Some of the existing data items will be redundant in the Target End State since they are only required for NHH Settlement. Additional data items may be required for Load Shape Categorisation. For example these will include Active Import (AI) and Active Export (AE) flags unless already included by other market changes such as the Faster Switching Programme.

Question 11	Do you have any further comments?

Answer: Yes

- System architecture - All options and providers should be considered at this stage of development.
- The role of the DNO in enabling quality data should also be considered. There are scenarios where metering faults cannot be resolved without a DNO action e.g. High Voltage, issues with the cut out or CT wiring work required. This is an opportunity to agree responsibilities and timescales within the BSC to support better quality settlement performance.
- The new smart data service will need to accede to the DCC. The accession processes are not simple and there would also be requirement to carry out security audits to ensure that the E2E infrastructure remains

protected. A new DCC user role may need to be created and the costs / timescales of this should be better informed and understood.

- The relationship between the supplier (billing data) and smart Meter Data Retrieval Service (MDR) and interaction with the DCC needs to be clear. For example whether the MDR can change a schedule for a 'push' of data or whether 'pull' commands would be required? Additionally, the MDR would need to play a role in helping to manage DCC capacity and picking up any related costs as some of these organisations are likely to be independent of a supplier organisation.