

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

## CONSULTATION RESPONSE TEMPLATE

Respondent Information		
Name of Respondent	Terry Carr	
Name of Company	E.ON Energy Solutions	
Type of Company	Supplier & Supplier Agents	
Contact Details	<a href="mailto:Terry.e.carr@eonenergy.com">Terry.e.carr@eonenergy.com</a>	07773 945385
Confidential Y/N	No	

Please email your response to [dwgsecretary@elexon.co.uk](mailto: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**Please mark clearly if any aspect of your response is confidential.** Any information marked as confidential will not be published by ELEXON or considered by the DWG, but will be shared with Ofgem.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](mailto: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	

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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	
<p><i>We would like to recommend that further consideration is given to the final decision on access to consumers data for Settlements. Ofgem's business case for the Settlement reform is to use more granular data to release benefits to end consumers via products and energy solutions which we agree should happen in line with these changes. We anticipate that the more data available the more diverse the Industry can be with their offerings. A decision whereby a consumer can Opt in or Out of allowing access to their data will have impacts on individual Suppliers and the wider market.</i></p> <p><i>If a significant number of consumers chose to not allow access to their data then the benefits expected by Ofgem would be reduced as the Settlement benefits wouldn't improve from where they are currently. Although the TOM allows for this, because the volume would be profiled a Supplier couldn't release the benefits and may end up with additional work or penalties. For example:</i></p> <ul style="list-style-type: none"><li><i>Elexon Performance Assurance techniques – Lack of consumers data could result in under performance of Suppliers through no fault of their own.</i></li><li><i>Consumers Opting out could cause imbalances in billing and Settlements and without the data Suppliers would have more difficulty reconciling positions for customers. This could result in billing disputes and additional cost to Suppliers</i></li></ul> <p><i>Therefore we would like to reiterate that the mandation of Settlement data would be our preferred option although we do accept that Opt out would still provide the end consumer with options if they do have significant reservations regarding their data.</i></p>	

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 with reservations	
<p><i>Yes we believe all essential processes are captured but we do feel there are potentially some areas for consideration that don't seem to have been drawn out in the consultation. As such we would appreciate views regarding the following elements.</i></p> <p><i>The removal of the Data Aggregator role is understandable however there needs to be a review of processes that are performed by this role and how or who will perform them in the future. For example the Capacity Market Unit &amp; additional Balancing Mechanism Unit (CMU/BMU) aggregation and energy allocation. This may also have impacts on the Project TERRE and MARI implementation.</i></p>	

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Question 3	Do you agree that the TOM captures all essential Settlement processes?
<p><i>GSP Group Correction factors are specifically applied to what is the current NHH market, we believe that by moving to HH settlement, this will remain and potentially become even more complicated in a decentralised energy industry.</i></p> <p><i>It is unclear if Distribution Losses have been considered which is essential to the Settlement process and ensuring the whole system is reconciled accurately</i></p>	
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	
<p><i>We would like to caveat that this is a high-level view only and the next level of detail will further inform market participants that the TOM will meet or better facilitate industry requirements now and in the future. This may also draw out some of the above concerns.</i></p>	
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><i>The drafted process doesn't hinder market entrants currently but as the market evolves there needs to be consideration for the Qualification and Re-qualification process. The requirement for parties to accede to the BSC may be an obstacle by parties new to the market but is key to providing wider assurance.</i></p> <p><i>In the short / medium term there may also be delays in investment and innovation while the market transitions from NHH to HH and through the period of uncertainty. Once the transition is complete and the benefits to the market start to be released we would expect innovation to be encouraging wider participation.</i></p>	

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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	
<p><i>Our concern will be the transition period from the current NHH position to the new reduced timescales and the expected performance levels which will need to be defined by the PAB. The current PAF for Settlement Performance is quite rigid however during this period of transition in the market there needs to be allowances for parties to improve their performance levels before any sanctions ("Supplier Charges") are applied.</i></p> <p><i>We also feel that during the definition of the new PAF there needs to be assurances that parties will not face sanctions for issues outside of their control such as DCC communication problems that affects performance levels or consumers that Opt out and remain disengaged resulting in difficulty obtaining actual data.</i></p>	
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	
<p><i>As with the current market, Trading Disputes should be used sparingly and only for significant volumes that need correcting. A materiality threshold should be based on the site and as such lower for Domestic consumers compared to larger sites.</i></p> <p><i>We would also like to recommend that a fixed end period is used similar to the current process to allow parties to formally close their books and feel that 2yrs would be a sufficient timeframe although appreciate that leaving it at the current window of 28 months would also be acceptable.</i></p> <p><i>We would recommend that for this question and Q6 some options are proposed and circulated for consultation.</i></p>	
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: No	

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**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.*

*We agree that there will be some benefits released by reducing the Settlements timetable but once again there are items that probably need outlining further which may be more detailed in the lower level discussions.*

*Items that we believe may increase in the interim such as issues arising in the Suppliers control; will require quicker remedial action to ensure they are fixed within the reduced Settlement timeframes. Considering the amount of change in the industry and the roll out of Smart metering this may see an increase in workloads for Suppliers.*

*Items outside of the Suppliers control such as changes to the DCC or central system would be a risk and any associated costs don't seem to have been considered in the cost benefits.*

**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

*We would like to outline that the transition period could create a barrier to customers having the freedom that the market is trying to offer. Where the consumer is either unwilling, or is unable to move the metering system to enable actual settlement period level consumption data may lead to further distrust and disengagement with consumers in these groups.*

*We would also like to highlight that Ofgem is championing Faster Switching and the transition cannot:*

- *Create barriers to Switching*
- Create unintended non-compliances to suppliers due to the speed of a consumer switching.
- Create barriers to the resolution of errors that may manifest through switching in the transition window, such as Erroneous Transfers & agreed reads disputes. We accept these sit in the MRA / SPAA but currently there is no defined process for MSIDs in the HH Settlement arena.

**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

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

*The shortened settlement timetable suggests that the speed of consumption data entering settlement could in the future take precedent over the accuracy and quality of data entering settlement processes, we feel that this needs to be both clarified and clearly outlined in future design detail.*

*There needs to be fair and reasonable tolerances around the transition period, whilst we see that the transition window outlines a 1-year cycle we would point to P272 lessons, which introduced a significantly longer transition period though a later modification P322.*

*This proposed transition has more layers, larger volumes of MSIDs compared to before, for which the design needs to ensure is fair and robust*

*Under the PAF review there needs to be more focus on supplier, supplier agent, network and embedded generator's behaviour and future requirements. This should aim to ensure there are clear incentives through a robust governance regime.*

Question 11 Do you have any further comments?

Answer: Yes

*There is a significant amount of change currently ongoing in the industry including Faster Switching, Smart Roll out, Targeted Charging Review to name a few. We accept that the delivery of some of these items alongside each other will be beneficial but it needs to be highlighted that Suppliers in particular are engaging and delivering a large number of projects over the coming years. Where possible the industry needs to coordinate deliver to avoid additional expense to the end consumer.*

*Mobile network operators are currently embarking on an upgrade of their infrastructure within the same timeframes. As the success of market wide settlement reform has a significant dependency on stable remote communications from metering systems, there is a risk that that metering systems remote capabilities will be impacted by these changes.*

*Finally, the impacts on the end consumer, during this extended period of change and transition the Suppliers will need to maintain service levels while upskilling a significant portion of its work force to deliver both new and legacy obligations to consumers. The costs of delivering all industry change will in the short-term result in increased costs to serve which ultimately is recovered from the end consumer.*