

Public

# SVG214

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DWG's preferred TOM for MHHS

4 December 2018  
Kevin Spencer



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# Design Working Group (DWG)

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- Ofgem working group, chaired / facilitated by ELEXON
- Designing Target Operating Model (TOM) and transition approach for Market-wide Half Hourly Settlement (MHHS)
- ELEXON is leading the design work with the DWG
- Forms part of Ofgem's Significant Code Review (SCR) on Settlement Reform
- DWG makes recommendations to Ofgem
- Business Case and decision-making sit with Ofgem:
  - Final Business Case decision (based on costs/benefits) will precede drafting of Code changes
  - Ofgem will make Code/licence changes using Smart Meters Act powers
  - No normal Mods process

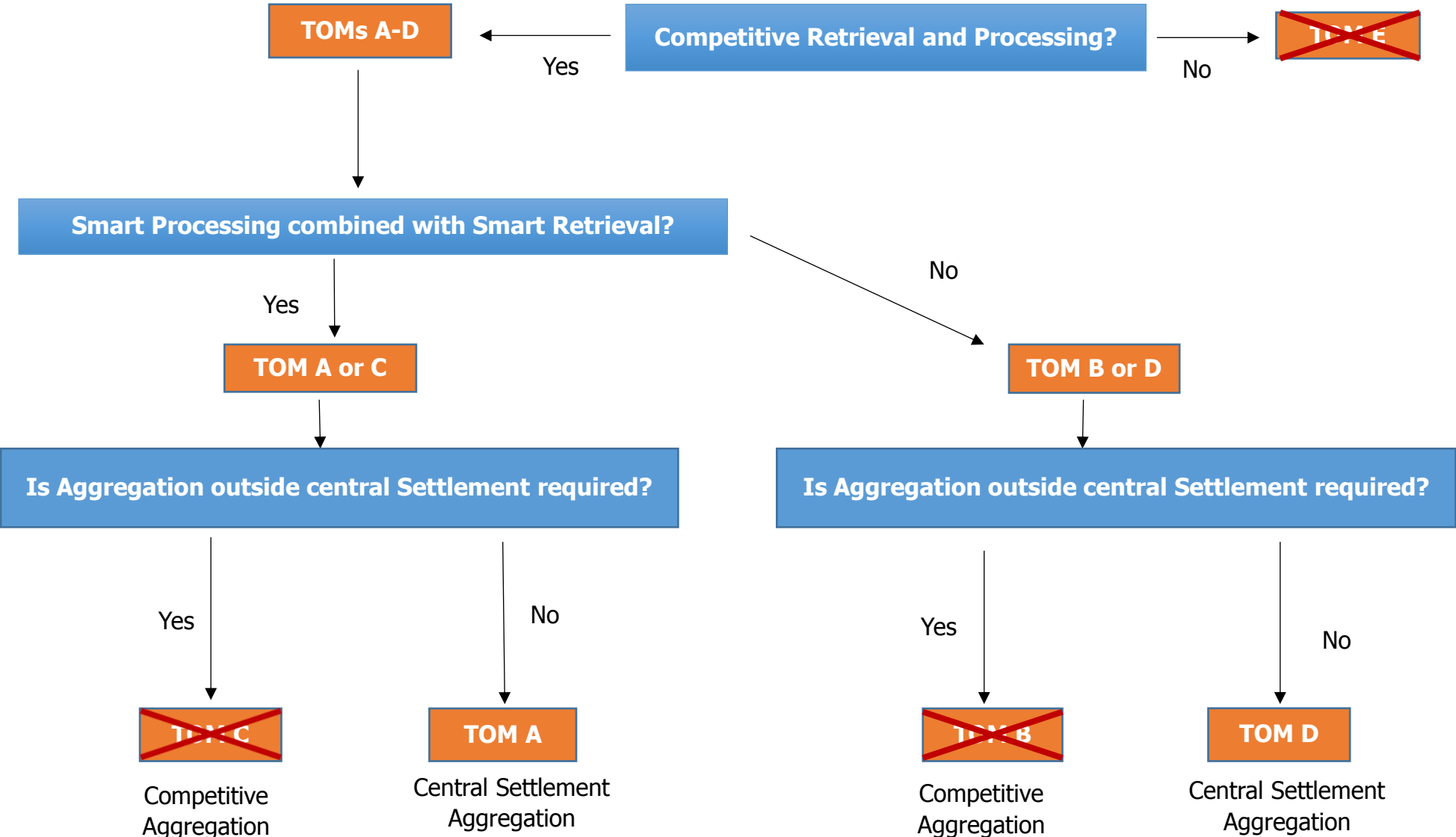
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# Contents of update

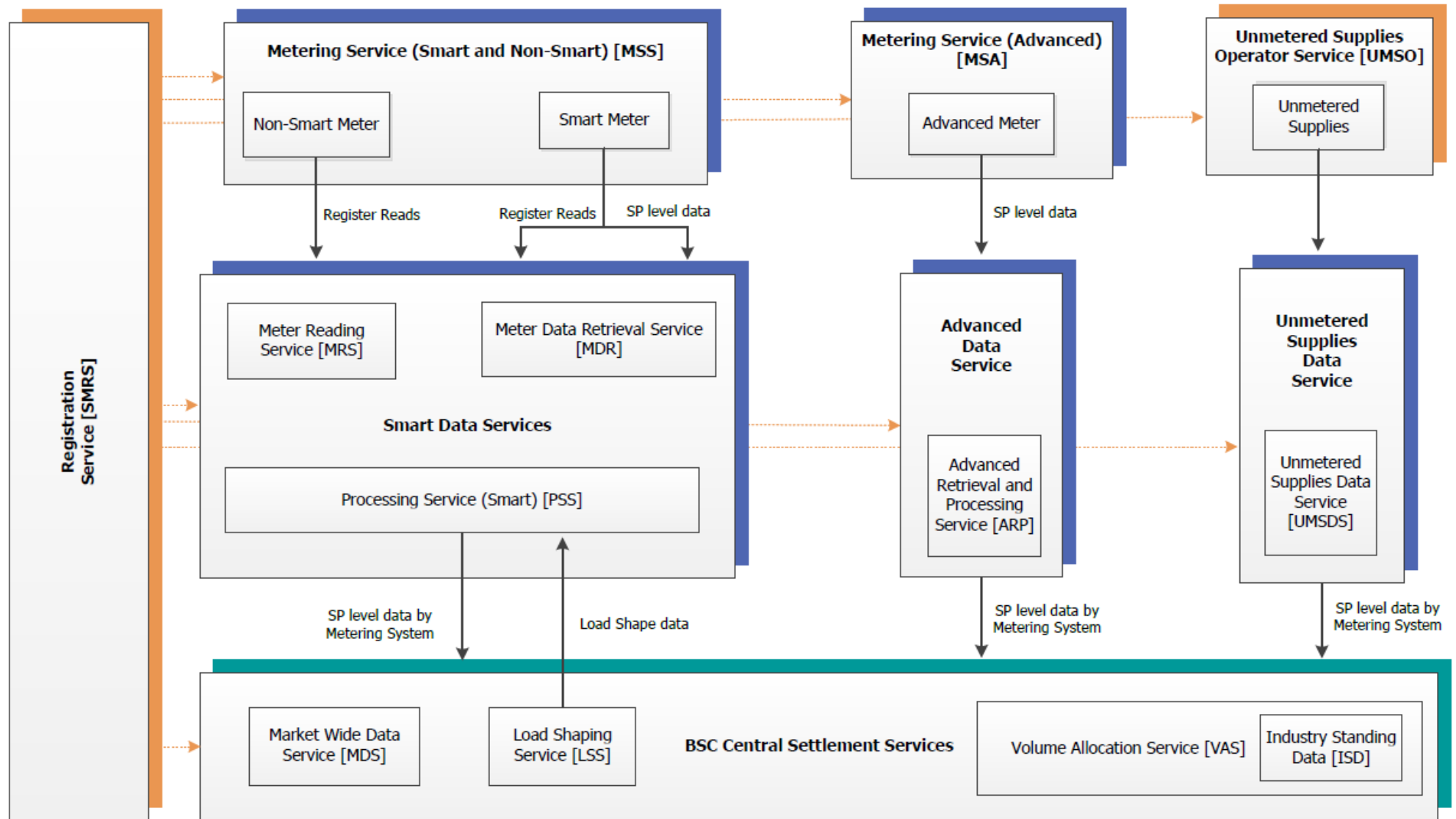
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- Ofgem's 'least regrets' steer
- DWG's decision tree
- DWG's preferred TOM
- DWG's letter to Performance Assurance Board (PAB)
- Timetable and next steps

# Decision tree used by DWG



# DWG's preferred TOM (variant of original TOM A)



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# Key differences from current arrangements

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- SVA market split into 3 segments, all settled HH:
  - Smart + Legacy Meters
  - Advanced Meters
  - Unmetered Supplies
- NHH arrangements to be retired, potentially with faster run-off
  - Discontinuation of SSCs, TPRs, Profile Classes, AAs and EACs
- Metering Systems where only register reads available will have HH data produced as part of Data Processing, using actual HH data ('load shapes') from smart Meters
- BSC Central Settlement Services will receive disaggregated MPAN-level HH data and add this up (no separate Data Aggregators for Settlement purposes)

# DWG's reduced Settlement timetable for the TOM

Run	Timing
Interim Information (II) Run	4 WD
Initial Settlement (SF) Run	5-7 WD (depending on DCC read capability)
Interim Reconciliation Run	33 WD
Final Reconciliation (RF) Run	4 months
Disputes Final (DF) Run	12 months or longer

- Likely to require changes to Performance Assurance Framework (e.g. performance targets and measures)
  - May not be as simple as just replacing one number with another
  - For example, existing distinction between 'actuals' and 'estimates' no longer meaningful under the TOM

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# Dispute Run timing and Disputes materiality threshold

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- DWG could not agree on exact DF Run timing
  - Subgroup recommended 12 months (aligns with Supplier back-billing cut-off)
  - DWG nervous that too short / impact on CVA errors
  - Difficulties in analysing / predicting future performance under shortened timetable (has analysed current performance)
  - Steer from Design Advisory Board and Ofgem that:
    - Assume quality of Meter data better than now
    - Settlement timetable should incentivise timely detection/correction of errors
    - Settlement timetable should not be based on current performance
    - Trading Disputes should not be the norm and only where significant materiality



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## DWG's letter to PAB

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- DWG has asked PAB to consider how best to identify, develop and implement the following PAF changes for the TOM:
  - Performance targets
  - Disputes Run timing / cut-off
  - Trading Disputes materiality threshold
  - Transition monitoring, reporting and enforcement (with Ofgem)
- High-level PAF/Disputes impact assessment needed by May 2019, to feed into Ofgem's Business Case decision through:
  - DWG's transition approach (consultation June/July 2019)
  - BSC impact assessment (June/July 2019)
  - Final DWG report (August 2019)
- ELEXON continuing discussions with PAB on whether this forms part of PAF Review or separate piece of work

## Timetable and next steps

Activity	Timing
DWG's report to Ofgem on preferred TOM & requirements	End Jan 2019
DWG's consultation on preferred TOM & requirements	Feb/Mar 2019
Ofgem's Request for Information (participant costs/impacts)	Spring 2019
DWG's consultation on transition approach	June/July 2019
BSC impact assessment on implementing/transitioning TOM	June/July 2019
DWG's final report to Ofgem	August 2019
Ofgem's Final Business Case decision	Late 2019
Code & licence changes drafted and made by Ofgem (with industry support / consultation)	~2020
Transition to TOM	~2021-2022
TOM fully effective	~2023
Run-off of previous Settlement Days	~2023+

