

Public

SVG214

DWG's preferred TOM for MHHS

4 December 2018
Kevin Spencer



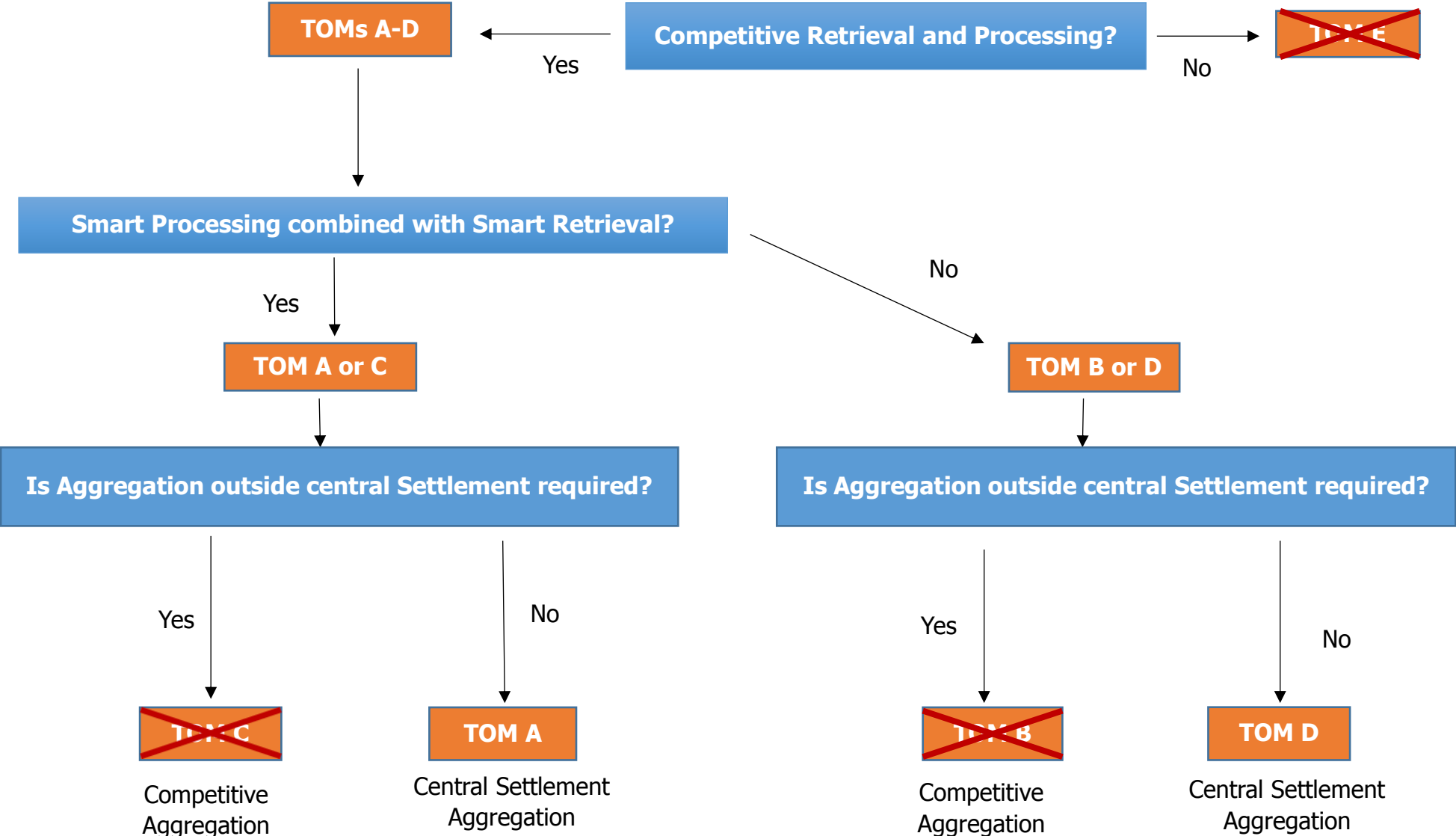
Design Working Group (DWG)

- 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

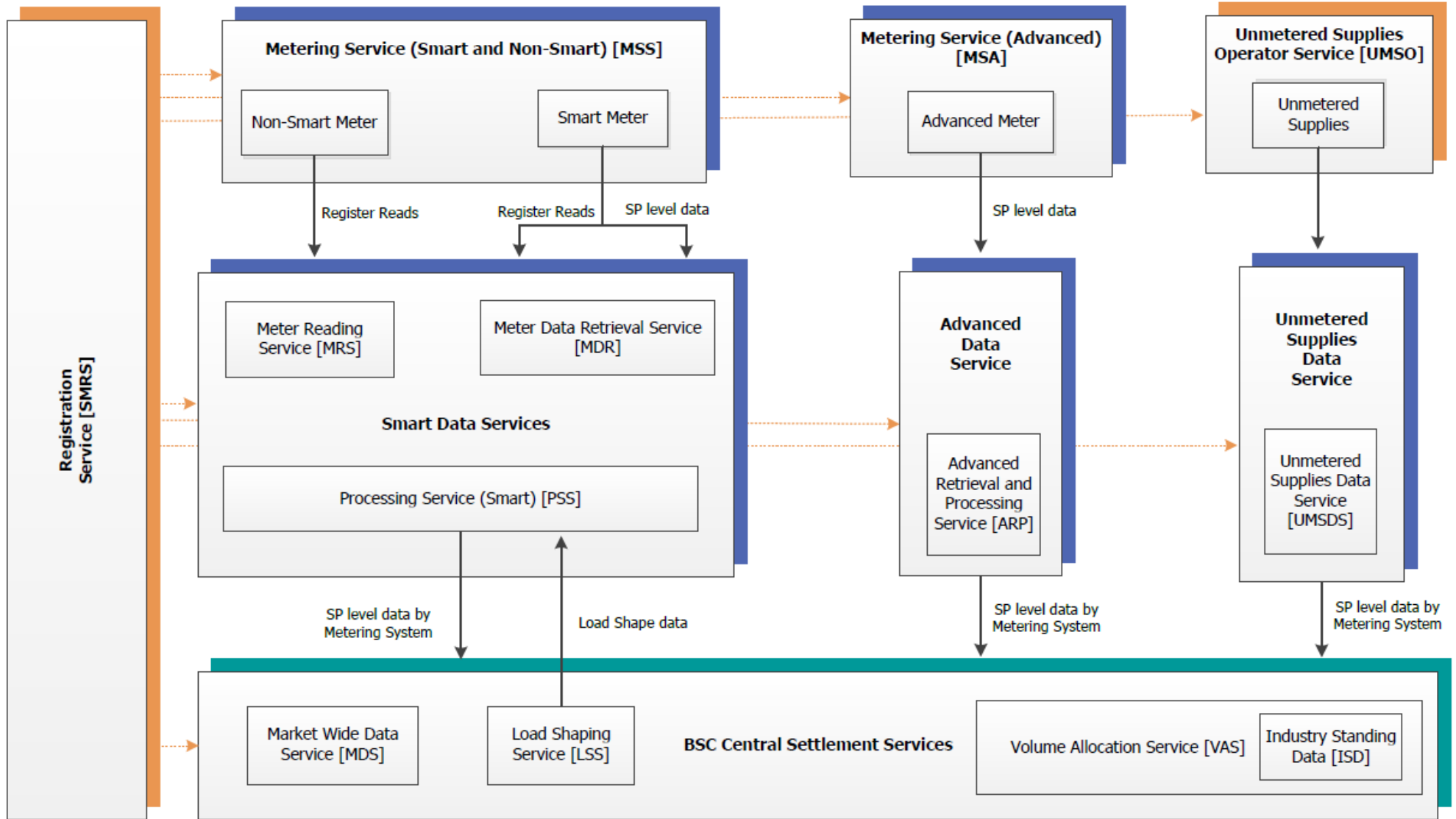
Contents of update

- 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)



Key differences from current arrangements

- 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

Dispute Run timing and Disputes materiality threshold

- 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

DWG's letter to PAB

- 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+

