

Stage 03: Attachment A: Detailed Assessment for P272

P272 Mandatory Half Hourly Settlement for Profile Classes 5-8

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

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About this document:

This is Attachment A to the P272 Assessment Consultation Document. It provides additional details of the Modification Group's analysis and assessment.

1 Terms of Reference

P272 Terms of Reference(ToR)

The standard ToR for Modification Groups is available on the [ELEXON](#) website. The panel confirmed that the Modification Group should also consider the 5 points below.

Specific areas set by the Panel in the P272 Terms of Reference

Development of the P272 Proposed solution

Any alternative solutions

Implementation approach

Assessment of P272 against the Applicable BSC Objectives

Quantification of P272 costs and benefits where possible

Implications for micro-generation

Potential extension to Profile Classes 3-4



Any questions?

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P272
Detailed Assessment

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2 Development of Solution Requirements

The following section details the Workgroup discussions and conclusions that resulted in the P272 solution requirements.

Requirement 1 – All HH capable metering systems in Profile Classes 5-8 Settled HH by 06 April 2014

With effect from 06 April 2014, customers in Profile Class 5-8 with HH capable metering installed must be settled on a Half Hourly basis.

Suppliers would have to update metering system registration data through the Change Of Measurement Class (CoMC) process to define the profile class as “00” rather than ‘05’ to ‘08’ at present. This would change the customer’s MPAN.

Workgroup Discussion:

The Group discussed whether the date of the 06 April 2014 was the most appropriate go live date, or whether this date should be used as the start of a transitional period. One Modification Group member thought that there were a number of barriers which would need to be overcome prior to implementation and that a transitional approach would allow Suppliers a greater period of time to implement the necessary changes.

The Group discussed having a transitional period of 6 months, post 06 April 2014. Some Group members thought this would be more appropriate as it would allow Suppliers longer to ensure that they have the Advanced Meters on the walls and helps mitigate the risk of a large number of CoMC happening at the last minute. The Group also discussed having a longer transition period of 12 months following the 06 April 2014. A Group member believed that this would not only allow Suppliers to get a complete years worth of HH data, so that they would be better placed to understand the profiles, but that it would also provide longer to deal with customer contracts that may have to be renegotiated.

Whilst most could see the benefit of a transitional period, the majority of the Workgroup did not believe a transitional period would be required. It was highlighted that currently when a Supplier gets a new customer, they don’t have a complete set of data to rely on and yet they are still capable of managing that customer. It was mentioned that around 70% of the Advanced meters for Profile Classes 5-8 have already been installed and that many Suppliers already have the capability to collect data well over two years in advance of the mandated date. The majority of the Group also felt that it would be prudent for Suppliers to get these PC 5-8 customers Settled HH sooner rather than later as this would allow more time to resolve issues that are likely to come from the eventual switch over of PC 1-4.

A Group member also noted that even when you have profiled data there is nothing to say that profile will be accurate for the next 12 months as customers circumstances change and with that so will their usage patterns.

The Group agreed that dealing with customer contracts will be an issue for Suppliers, but that this is something they will need to manage. It was believed that if you waited for all contracts to run out before mandating HH Settlement, you would be perpetually rolling back the implementation.

The majority of the Group also felt that once some of the commercial barriers are removed (for example issues with DUoS charges) then the commercial drivers would exist and Suppliers would want to implement this as soon as possible.

It was also acknowledged that due to the likely high costs of implementation, without a date set in the reasonable future Suppliers might be reticent to start settling on a HH basis which might delay the industry in moving to a 'SMART' world.

Group Conclusions:

Some Workgroup members considered that delaying the mandated date would simply "delay the inevitable". They also believed that mandating PC 5-8 be settled as HH should take place as soon as possible to ensure that the Industry is ready for a 'SMART' world. However, they agreed that an alternative solution should be put forward as it would allow time for Suppliers to resolve any unforeseen issues.

Requirement 2 – Supplier Plan for Transition to HH

It would be left to individual Suppliers to choose how they phase in the new requirement for 06 April 2014. For example, some Suppliers might choose to switch customers to HH Settlement as soon as they install Advanced metering; others might choose to perform a bulk Change of Measurement Class on or just before 06 April 2014.

However, Suppliers would be required to produce a high level plan on how they intend to complete their transition for the Performance Assurance Board (PAB) to ensure an efficient transition from NHH to HH. This would enable the PAB to obtain a better view of the impacts of the transition and better liaise / advise Suppliers who, based upon previous Impact Assessment responses, wish to avoid any problems with bulk COMC.

Supplier transition plans would have to be submitted to the PAB by 31 May 2013.

Group Discussion:

The Workgroup unanimously agreed that Suppliers should be left to choose how they phase in the new requirement before 6 April 2014. However, a Group member raised the concern of what would happen should a number of Suppliers implement a Bulk Change of Measurement Class at the same time.

In response to this another member suggested that Suppliers should be required to submit their implementation plans to PAB as this would enable PAB to highlight any concerns and advise accordingly.

Bulk Change of Measurement Class

The Group acknowledged that the main concern was that there would be a bulk change of Measurement Class at the last minute. The Group agreed that the current COMC process was not designed to deal with bulk changes. A member raised concerns that SMRSs may become flooded with the amount of data being changed should a large amount of Suppliers choose to conduct a Bulk COMC within a short period.

Additionally, it was noted that the majority of Impact Assessment responses highlighted issues with the current process and that they did not see 'bulk change' as a feasible way of dealing with the transition.

It was highlighted that currently it can take anywhere between 15-30 minutes to complete a CoMC. The Modification Group still believe that in spite of the difficulties surrounding CoMC, that the transition should be left to Suppliers to manage and that the Modification should not implement a fixed approach where Suppliers would have to meet a transitional timetable set by the Modification Group.

It was noted that to try and resolve the issues with the CoMC process, Npower have created a Draft Change Proposal. The DCP will look to implement a limit for the number of

CoMCs carried out by each Supplier in any given 24 hour period. Should a Supplier wish to conduct more than that limit they will have to contact PAB and submit their plans for approval. As of yet the limit has not been decided but the process will similar to that of the current process for Change of Agent (CoA). The DCP will be progressed shortly.

Group Conclusions:

There was complete agreement that Suppliers should have flexibility as to how and when they implement the necessary changes, but that they should share these plans with the PAB within 3 months of the Modification being approved.

The Group also concluded that once the DUoS charging differential is sorted then Suppliers would in theory start to transfer customers well in advanced of any implementation date thus reducing fears of a mass Bulk change by a number of Suppliers occurring. However, certain members of the Workgroup were keen to point out that DUoS is not the only barrier preventing switching.

Requirement 3 – Current HH Elective Transition

Those metering systems under the 100kW limit that would otherwise be within PC 5-8 but for which their Supplier has elected to be settled Half-Hourly, will not be able to switch back to being settled as NHH (unless they leave Profile Classes 5-8 for Classes 1-4) after 06 April 2014.

For avoidance of doubt, until 06 April 2014 any HH elective customers would still have the option of reverting to being settled as NHH.

Group Discussion:

A Workgroup member asked whether or not there should be a cut off point prior to the mandated date of 06 April 2014 where a Supplier who has transferred to HH early would be no longer able to transfer back.

The Group discussed the feasibility of this and whether or not this would be practical due to the fact that a requirement would have to be placed within the BSC before the mandated date of 06 April 2014. This would essentially be a transitional approach but prior to the Proposers date 06 April 2014.

Furthermore, a Group member commented that Suppliers currently can transfer to Elective HH and then opt out so why should we remove this option from them. The Workgroup considered that until the existing barriers such as DUoS charging are removed the likelihood of mass switching is very small.

Group Conclusions:

The Group concluded that until the mandated date of the 06 April 2014 any Supplier should have the option of reverting back to NHH. However, once this date has passed the only way a Supplier would be able to go back to NHH would be if the MPAN was validly re-classified by the relevant distribution system operator as PC 1-4.

Requirement 4 – 99% actual HH data at R1 (SP08c)

Suppliers would be required to achieve 99% of energy settled on actual data by the First Reconciliation Run (R1) for Measurement Class 'E', instead of currently being 99% at the Final Reconciliation Run (RF). The existing Performance Serial SP08c would be amended accordingly.

Group Discussion:

The Workgroup at first didn't see the need to enforce a greater performance standard. However, a Group member commented that whilst this is more onerous than the current SP08c requirements of 99% at RF, the current performance achieved by parties shows that HH metering systems already achieve a greater than 99% of actual data at SF. Setting this measure at R1 also allows time for the resolution of meter data issues.

A member noted that this is currently achieved but there will likely be instances with an additional 164,000 Meters where they fail to meet this standard. Additionally the point was raised that failings in communication technology have and will always occur and that this would likely cause instances where the requirement would not be met.

It was argued that by raising the standard, it will challenge Suppliers to work on such problems which will in time eradicate them. Whilst another member highlighted the point, that whilst this does seem onerous, it is worth remembering that it is 99% of the energy and not simply 99% of the Meters.

While discussing the communication issues, BSCP601 (Metering Protocol Approval and Compliance Testing) was raised. This details the process a Data Collector goes through when a new meter, or communications software is installed. This process involves ELEXON carrying out tests and updating the information within SVG as to who does what.

The Group agreed that the current BSCP601 process is appropriate so as part of the PC 5-8 work, Data Collectors should be made aware that BSCP601 applies to the elective HH and that ELEXON should remind HHDCs of BSCP601 and its implications.

Group Conclusions:

The Group concluded that whilst this is more onerous than the current SP08c requirements, setting this performance standard at R1 will maintain performance whilst allowing more time for the resolution of Settlement issues than for >100KW systems.

Requirement 5 – DTC flows: Increased resolution for HH meter data to 0.001kWh from 0.1kWh

The DTC flows (D0003, D0022, D0036, and D0275) that contain HH meter data will need increased resolution to ensure low half-hourly volumes are accurately processed. Currently the format is 7,1 resulting in 0.1kWh resolution (200W). It is proposed that this is changed to 9,3 to avoid rounding errors. Increased resolution is required to avoid energy being inaccurately accounted for in Settlement.

The following data flows/items would be amended to increase the format for HH meter readings from 1 to 3 decimal places of kWh/half-hour (0.1 kWh/HH to 0.001 kWh/HH):

Data Item	Data Flow
J0177 (Period Meter Consumption)	D0036 (Validated Half Hourly Advances for Inclusion in Aggregated Supplier Matrix) and D0275 (Validated Half Hourly Advances)
J0021 (Meter Period Value)	D0003 (Half Hourly Advances)
J0281 (Total kWh (and kVarh) of Estimated Periods)	D0022 (Estimated Half Hourly Data Report)

The P272 Workgroup decided against including D0010 (Meter Readings) in this requirement as the D0010 flow is used in both HH and NHH markets. The data it holds is an advance (over many HH periods), not a HH value, so it is not so susceptible to rounding issues.

Group Discussion:

A member asked whether we actually needed to amend the DTC flows and was informed that the increased resolution for HH meter data to 0.001kWh from 0.1kWh was indeed needed.

It was highlighted that currently only 1 digit after the decimal point is sufficient in NHH Settlement where individual meter advances are processed, but in HH Settlement there needs to be at least 3 after the decimal point going down to a Watt (Although settlement will go kW/MWh).

A Modification Group member explained that there were a number of customers in profile classes 5 to 8 that for long periods would have loads that rounded down to zero if the resolution remained at 0.1 kWh.

This energy would not be accounted for and so a resolution of 0.001 for non-aggregated data flows was required. It was agreed that existing HH customers that had meters that only recorded to this resolution would complete the decimal places with zeros.

Group Conclusions:

The Group concluded that this requirement was necessary for Settling HH as without it there was the potential for energy to remain unaccounted for.

Requirement 6 – Profiles 5-8 ‘frozen’

The Profile Administrator would discontinue load research for Profile Classes 5 to 8. The regression equations for BSC Year 2014/15 would therefore be ‘frozen’ and apply to all subsequent years. These ‘frozen’ profiles would be used for those customers who do not have an Advanced Meter installed and for other types of customer currently settled on these profiles, for example NHH Unmetered Supply and Micro-generation profiling. It might also be used for estimation of missing data by Half-hourly Data Collectors.

Although the regression profiles would be frozen, the Default Period Profile Coefficients would still need to be determined annually as they are based on the calendar for each year. ELEXON would develop a process (likely as part of annual refresh) for this to occur.

For clarification the intention is to freeze the regression coefficients for Profile Classes 5 to 8. This means that for these Profile Classes the Profile Administrator will no longer collect sample data for customers and no new regression coefficients will be created. The regression data in Market Domain Data and the SVAA systems will then be used to create the out-turn profile coefficients for these Profile Classes by selecting the regression coefficients for the appropriate season and day-type and evaluating them at out-turn temperature and sunset variable (as they would normally do).

The regression data would also be used with long run temperatures to calculate date specific ‘default profile coefficients’ for the HH market. Again this is no change from normal practice it is just that the underlying data has not been updated.

Group Discussion:

It was noted that with almost all PC 5-8 customers being settled HH, there would be no need for load research for these profiles to continue, and that a frozen profile would be sufficient for those few remaining customers who are unable to have an Advanced Meter installed.

Another Group member suggested that there would be a reduction in cost by discontinuing the load research. However, the Group agreed that the cost savings would be nominal.

Group Conclusions:

The Group unanimously agreed with the proposal of freezing Profiles 5-8.

Requirement 7 – Expanding PARMS Serial SP04

Profile Class 5-8 metering systems with an Advanced Meter that are being settled on a NHH basis after 06 April 2014 will be included within the scope of PARMS Serial SP04.

Serial SP04 – ‘Installation of HH Metering’ – relates to the obligation to install Half Hourly (HH) Metering at a site which has qualified for mandatory HH Metering. Currently the standards include –

- Number of Days for which a HH Meter should have been installed;
- Number of Days for which HH Meter was not installed, when it should have been;
- Percentage of Days for which a HH Meter was not installed, when it should have been.

For the avoidance of doubt, this means that the Supplier Charge associated with Supplier Serial SP04 would be payable in respect of any Metering System that is subject to the Licence condition requiring an Advanced Meter, has an Advanced Meter installed, but is not being settled Half Hourly (for Settlement Dates on or after 06 April 2014).

Group Discussion:

The Group raised the possibility that a Supplier could in theory install a HH meter yet continue to Settle this NHH post the implementation date. It was suggested that a new Supplier Charge Serial should be raised to address this concern.

However, another Group member highlighted the fact that the existing Serial SP04 could be expanded, thus negating the need to create another Serial in this instance.

Group Conclusions:

The Modification Group concluded that expanding this Serial was more efficient than creating a new one. Furthermore, these are customers who should be settled HH but for one reason or another are not (just like the customers in the existing SP04 serial); and the non-compliance has an impact on other Suppliers which the Supplier Charge compensates for.

Requirement 8 – New PARMS Serial

For Profile Class 5-8 metering systems that do not have an Advanced Meter (e.g. those where the Supplier has been unable to install one, despite taking all reasonable steps to do so, as required by the Licence Condition) will have a new PARMS serial. This Serial is for monitoring purposes only and does not have an associated Supplier Charge like the performance serial above. This will enable the Performance Assurance Board (PAB) to understand the number (and hence the impact on Settlement) of residual NHH-metered customers.

Group Discussion:

The Group discussed whether there was a need for a new PARMS serial with a member suggesting that it would be beneficial to have data on the number of meters that are still being Settled NHH. It was argued that this information could be useful in the future should Profile Classes 1-4 be Settled HH.

Another member was concerned that we would be penalising those who were unable to be HH via this Serial and highlighted that the Mandate from The Secretary of State says that Supplier should make every reasonable effort and if they have done so but were unable to install an Advanced Meter for whatever reason we should not therefore penalise them.

The Group agreed and recommended there should not be an associated Supplier charge.

Group Conclusions:

The Group concluded that it would be prudent to monitor the number of Meters that remained NHH within PC 5-8.

3 Impact Assessment - Modification Group Discussions

As part of their assessment of P272 the Workgroup issued an Impact Assessment to the industry in June 2011. The purpose of the Impact Assessment was to determine the likely impact and costs on Parties if P272 were to be implemented.

The following section summarises the Impact Assessment responses and the group's discussions.

Key Themes

The Modification Group noted that three main themes from the Impact Assessment responses were:

- The customer contracts and impacts:
 - Many responses highlighted issues that Suppliers will have managing their customers with increased costs and contract renewals and it was felt that the Modification Group had not fully taken into consideration these issues (however, the Modification Group must focus on the implications to the BSC as a primary concern).
- Concern over the impact of the Modification:
 - Responses highlighted that there is considerable concern regarding how far reaching the impacts and consequences of P272 are, whilst sometimes being unable to give credence to the proposed benefits.
- Higher than expected impacts in cost and timings:
 - The responses highlighted considerable impacts to current business systems, with a number of responses highlighting higher implementation costs than expected (based upon work done by the PSRG).

Question 1: What are the impacts on your organisation of implementing P272 by 06 April 2014?

Costs and impacts:

A number of responses highlighted the fact that the Modification would result in an increase in cost and that this would ultimately have to be recovered from the consumer. The Group consider what the cause of the increase in cost would be when switching from NHH to HH.

The Group agreed that the main factor behind an increase costs in the current projections is the fact that there is a substantial difference between HH and NHH agent costs.

However, the Group also discussed the possibility that the cost differential will be reduced to reflect the fact that the HH market volume will be five times its current size.

A Group member commented that Agent costs/prices have already fallen and continue to do so. Conversely, a number of Group members pointed out that their own impact responses were based on the current best price that could find at present and the increase in cost was still substantial and they believed that although the cost differential is decreasing it is still a barrier that could prevent Suppliers moving earlier than the recommended implementation date.

A member raised the example of the creation of the HH market back in 1994. Stating that back then it caused major impacts, there were substantial costs involved and issues that had to be overcome. The member acknowledged that politically this might be difficult, but argued that this Modification is no different from back in the 90's when the industry underwent large change.

Conclusion:

The Group concluded that essentially the issue of costs can be summed up by deciding on whether or not as an industry it is beneficial to use the HH data that will be available. Updating systems and changing agents will always incur a cost, however the industry is moving towards a SMART market where NHH data will be replaced by HH data. These costs will need to be incurred at some point the question is whether Parties wish to incur those costs now or later.

The Group also noted that, whilst they are aware that costs would be incurred mandating HH Settlement for Profile Classes 5-8, they believe that limiting the scope of the Modification to only Profile Classes 5-8 would be significantly cheaper than including costs for mandating Profile Classes 1-4 as well.

Supplier and Customer Contracts:

A recurring theme within the Impact Assessment responses was the issue of contracts between Suppliers and Agents - Meter Operators and Data Collectors/ Aggregators, as well as those between Suppliers and customers.

The Group discussed this potential issue and agreed that this is a problem that Suppliers, as they are the party that would be required to re-negotiate the various contracts, but acknowledged that this is something they will have to manage. However, they stated that this is not a new problem brought about by the proposed Modification. A number of Workgroup members stated that Suppliers will always have to manage their customer relationships and there will be occasional contractual discussions.

The Group discussed the possibility of delaying the implementation date to allow Suppliers longer to deal with customers who were on long contracts (say around 5 years)., However, the group agreed that the issue of customer contracts will always be there regardless of what implementation date was chosen.

Conclusion:

The Group concluded that P272 might result in contractual issues, including the likely requirement for new customer agreements and new tariffs but that it is the Suppliers responsibility to manage their customers and to relay pertinent information to customers. Whilst this might be problematic politically in some cases, it should not prevent the implementation of the Modification.

Disadvantage to Small or Large Suppliers?

Some respondents raised a concern that this Modification may disadvantage or impact greatly upon smaller Suppliers; and that larger Suppliers would find it easier to make the necessary changes required to comply with the Modification.

The Group noted the concerns raised, but did not believe that the change would disadvantage small parties anymore than it would larger parties. It was noted that this potentially has a greater impact on larger Suppliers as the costs incurred with regards to updating systems and dealing with contractual issues would almost certainly be higher for a larger Supplier than a smaller Supplier. It was also highlighted that smaller Suppliers would be more flexible and adaptable to this change than the larger organisations.

Conclusion:

The Group concluded that there would be no disadvantage to smaller Suppliers when compare to larger Suppliers.

Advantage for those who switch sooner

A respondent commented that they believed that there may be an advantage for Suppliers who are able to switch earlier than those who would be delayed due to updating of their systems and implementing new processes.

It was noted that currently there are Suppliers who have HH elective customers and that should any Supplier wish to; they could go HH now without this modification. Furthermore, the Group believed that the DUoS charging differential currently provides a disincentive to those who are Elective HH Settled and will continue to do so until this barrier is resolved.

Conclusion:

The Group concluded that, as this condition already exists, it is not a concern for the feasibility of the Modification.

Discrimination for NHH market?

One response believed that the Modification was potentially discriminating against the NHH market.

The Group agreed that P272 would indeed impact on NHHDCs/DAs as the number of NHH sites would be reduced by 164,000. They also highlighted the fact that the industry as a whole will likely move to HH Settlement in the near future.

However, the Group noted that these businesses can register to enter the HH market and that a competitive industry will always be one that has changes and the market must adapt and move with these changes. The Group agreed that the market should not be there to keep the Status Quo but should be a tool that drives forward innovation.

Conclusion:

The Group concluded that this would not be discriminatory against NHHDCs/DAs as the industry as a whole is moving towards a HH industry. Furthermore, NHHDCs/DAs are able to register as HH and a competitive market will always require change.

Impact on LLFs?

A question was raised on what the impact on Line Loss Factors (LLFs) would be. The Group noted that the Line Loss Factor Class (LLFCs) would change with the implementation of P272, but that LLFs applicable to MPANs on PC 5-8 now would continue to be applied once they became HH traded. However, it was accepted that over time the availability of more accurate individual HH demand data may lead the DNOs to change the applicable LLFs in future in line with the relevant LLF methodologies. The Group noted that some of the measurement error inherent in NHH settlement is indistinguishable from losses and affects the calculation of Line Loss Factors. However, this component would be reduced with more use of half-hourly settlement.

Conclusion:

The Group concluded there may be an indirect impact on LLFs and that changes may in the future need to be introduced to deal with this.

Impact on NHH error

Several responses commented that P272 could potentially have a detrimental effect on NHH errors, GSP Group Correction and Supplier Performance.

GSP Group Correction is the mechanism that allocates the total error in metered volumes in each GSP Group between Suppliers. The equations for GSP Group Correction in

paragraph 9 of Annex S-2 of the BSC refer to a GSP Group Correction Scaling Weight (WTN) for each Consumption Component Class (CCC), which defines how much GSP Group Correction should be applied to that CCC (relative to the others). The Group were asked whether they believed there will be a detrimental impact on NHH errors as more move to HH.

The discussion focused upon the fact that any impact will be based on whether or not the Group Correction Factor (GCF) will be adjusted as more MPANs are moved to HH. The Modification Group also noted that NHH performance standards may become difficult to achieve as companies with larger market shares move to HH.

Conclusion:

The Group believe that there is potential for an issue to arise should a number of larger Suppliers move prior to the mandated date. The Group agreed that this is something that should be considered when Suppliers plan their transitions with the Performance Assurance Board (PAB).

Carbon Reduction Commitment (CRC)

It was noted that there is a potential interaction the Carbon Reduction Commitment and P272, since P272 would increase approx 164,000 customers being settled HH. This may mean that these customers then qualify for the CRC scheme (subject to other criteria) and must adhere to its obligations. This would result in them having to fulfil requirements on consumption data provision, etc.

Conclusion:

The Group noted that as things stands DECC are currently looking at the existing CRC requirements. Elexon have been in discussion with them on the potential interaction of P272 and the future of HH settlement in general. We will continue to keep DECC informed on developments in this area of settlements. Elexon will also keep industry informed of the substance of these discussions with DECC, and of any direction from DECC, unless explicitly privately prohibited.

Overall Groups Conclusions:

The Group concluded that P272 will have wide ranging impacts with regards to system changes and likely to be a considerable associated cost. However, the Group believes that at some point industry will be forced to make these changes and that it would be practical to overcome these challenges now, rather than to address these issues at later date when in all likelihood the industry will have other pressing matters to deal with.

Question 2: What are the impacts on your organisation if Suppliers choose to transfer to HH early?

A number of responses stated that they believed the option of transferring early was a good thing that should be encouraged and want the option of being able to do it as soon as possible. Some went as far as to state that customers with advanced meters should be traded HH by their Suppliers from the earliest opportunity so that they can obtain the benefits of HH settlement. An earlier implementation date of April 2013 was proposed.

However, several respondents stated that until the DUoS issue is resolved they cannot see any significant number of Meters being transferred to HH. Whilst other respondents highlighted the need for IT Systems upgrades which will be heavily impacted and would need a considerable amount of time to address.

Conclusions:

The Group concluded that the benefits are there and tangible and that Suppliers should be encouraged to adopt early. However, they realise that until the barriers are removed it is unlikely that there will be many early adopters.

Question 3: What are the impacts on your organisation if there was a bulk change?

The majority of responses highlighted that the existing Change of Measurement Class process is notoriously difficult to co-ordinate, and even with the current low volumes.

The responses suggested there would be considerable issues with a bulk transfer, all relating to system updates of one nature or another. As well as highlighting the fact that it would incur considerable costs.

The overwhelming majority of respondents were against a bulk change process. Whilst many noted that there is no Assurance system in place like there is for Change of Agent.

Conclusions:

The Group concluded that the current CoMC was not suitable for mass Bulk changes to occur. It was noted that a DCP had been raised to address this issue but the Group felt that the best way to avoid this was to resolve the issues that are preventing early adoption.

Question 4: What is the impact of allowing elective HH customers to switch back to NHH prior to the implementation date?

Overall responses were keen to highlight that CoMC historically has proven problematic and that there may be issues with Suppliers processing numerous CoMCs.

However, responses were evenly split with some looking to ensure that switching back could not occur whilst others didn't see it as an issue believing that the numbers that would migrate would be small.

A number of responses raised the fact that currently with Elective HH it is a customer's choice and that this Modification should not deprive them of that.

Conclusions:

The Group concluded that the likelihood of large numbers switching back and forth between NHH and HH prior to the implementation date would be minimal and therefore Suppliers should have the option as they currently do.

Question 5: What is the impact on your organisation of having to achieve 99% of energy settled on actual data by R1?

A large number of responses noted that the impact would be minimal to none as they already achieve this standard. Whilst several noted that there would be an impact in terms of an increase in manual checks on data and possible Communication issues.

Several responses highlighted a concern that it would expose them to additional Supplier Charges, where as one response stated that in the medium to long term this should be the goal set but did not believe it would be achievable in the short term. However, the Modification Group commented that there are no Supplier Charges associated with serial for elective HH meters and that this would only become relevant should the mod introduce Supplier Charges for under 100KW HH metering.

Conclusions:

The Group noted the responses, but concluded (as noted on page 6) that this requirement should not be onerous for parties to meet and would provide an incentive to correct any issues with the process.

Question 6: Does the benefit of the extra time to resolve Meter data issues outweigh the inconvenience of a more onerous requirement?

The majority of responses stated that that the benefit would outweigh the inconvenience. However, one respondent noted that it would impose a greater burden on Agents and several responses did not believe that the extra time outweighed the inconvenience.

Conclusions:

The Group noted the concerns raised by several responses but considered the fact that the majority of responses were in agreement that the additional time is of a greater benefit to be the deciding factor.

Question 7: What would be the impact of amending these data items/flows to your organisation?

The responses highlighted that the impact of amending the date flows would result in substantial system changes. These changes would be affect both Supplier and Agents based upon the responses we received.

Conclusions:

The Group concluded that although these changes will impact heavily on both Supplier and Agents, but that they are necessary to ensure that energy is accounted for and not lost by rounding down in Settlement.

Question 8: Do you agree with creating 'frozen' profiles for the remaining customers who are unable to have an advanced meter or are settled as NHH?

There was almost universal agreement throughout the responses. Several noting that it would be cost effective. However, one response stated that they thought Cost savings would be modest as still have PC 1 to 4. Whilst one response thought it was premature and stated that they would need to see the benefits of this approach.

A response queried whether or not there was a fixed date set for the freezing of the profiles. The Group discussed the feasibility of a number of different dates. The Group

looked at using a date several years prior to the mandate as it would reflect current usage. Also considered were a date between now and the mandated date as well as a date as close as reasonably possible to the mandated date.

The Group were also asked whether they believe that the same date be used for both proposed and alternative proposal?

The Group did not believe at present it made sense to use a different date. However, it was suggested that this could change dependent on how long a transitional period would be in an alternative solution.

Conclusions:

The Group concluded that frozen profiles was the most efficient and cost effective approach of dealing with the few remaining NHH customers in Profile Classes 5-8. The Group also agreed that a date as close to the mandated date would be the most applicable as in theory a greater number of customers will have been transferred and therefore those that are yet to transfer are more likely to reflect the remaining customer's usage and therefore would create a better frozen profile for the long term.

Question 9: What are the impacts, costs and benefits on your organisation of an implementation approach of 06 April 2014?

Overall the majority of the responses repeated their response to Q1, highlighting the same impacts and benefits. However, the responses emphasised that the Implementation date was not critical, but the approach is crucial. Many responses highlighted that the need for a longer lead time was imperative to addressing the issues raised by the Modification.

Most responses stated that the implementation date chosen would not impact the cost or the benefits, whilst several stated that the PSRG CBA was not accurate and that the real benefit that stems from the proposed changes is from dynamic tariffs and better forecasting and not from accurate assignment of energy.

One response stated that the changes would amount to somewhere in the region of £100,000 for their company, whilst another response highlights the need for a new billing platform which would cost several million pounds.

One recurring theme throughout the responses was the need for customer engagement, to inform and explain the changes and any increase in costs.

Conclusions:

The Group concluded that a greater lead time would be beneficial but did not believe that postponing the implementation date would benefit industry, concluding that they should aim to remove any barriers as soon as possible to meet the existing date of 06 April 2014 which is still over two years away.

Question 10: What are the impacts, costs and benefits on your organisation of an implementation approach of 06 October 2014?

A number of responses referred back to their response to Q9, highlighting that the implementation date is a secondary issue to resolving the barriers. Several responses stated that by moving the date back by 6 months there is little difference and essentially all that will happen is that the bulk COMC occurs in October. However this was with the caveat that if the additional time is for transition to alleviate the chances of a Bulk COMC then this would be beneficial as the longer the timeframe the more manageable the project will be for all involved.

One response stated that it is important to get this done before the DCC starts; whilst several highlighted the need to resolve as many issues as possible prior to the roll out of smart across the remaining Profile Classes 1-4

Several responses state that the implementation date of this Modification should aim to strike the right balance between seeing benefits as soon as possible whilst setting out an appropriate time to manage risk.

Conclusions:

The Group concluded that the Alternative Solution should be based upon a transitional approach allowing Suppliers additional time to plan and arrange their move to HH.

Question 11: Do you believe that another period of transition would be more appropriate?

The Majority of responses didn't believe another period of time was relevant as the benefits are not dependent on transition. This included a small number of responses which did not consider the benefits outweighed the cost anyway, and did not support mandatory Half-hourly settlement. Several responses highlighted a minimum period which ranged from 6-12 months. One response stated that they believed that a date some time in 2017 was appropriate due to AMR contracts.

Conclusions:

The Group to consult on two different lengths (6 months and 12 months) as part of the industry consultation.

Question 12/13: What is the impact of including of Profile Classes 3-4/Micro generation in the scope of the P272 solution?

There was almost universal agreement that the Modification should refrain from including Profile Classes 3-4. The reasoning behind this was that this would be a change of another order of magnitude, and there is significant uncertainty about the details of smart meter rollout and the Data Collection Company (DCC) services required to support it. Due to the impact on industry it would be beneficial to implement changes towards a HH market in stages.

The responses highlighted a 3 staged approach as the most sensible where Profile Classes 5-8 are transferred then Profile classes 3-4 and finally Profile Classes 1-2. It was suggested that this approach is more efficient to phase in. By including Profile classes 3-4 there would be an increase in costs as well as severe system issues. One response stated that this was not feasible until DCC is implemented.

Equally there was almost universal agreement that Micro-generation should be conducted at a later stage. The views throughout the responses were similar to the question above which is that it complicates the existing modification.

Conclusions:

The Group concluded that it would not be appropriate to include Profile Classes 3-4, or to include Micro-generation.

In September 2011 the P272 Group issued a consultation to find out industry opinion on the proposed solution and to try and tease out any more views on costs/impacts. The section below highlights the Groups discussions when reviewing the consultation responses.

Will the implementation of P272 increase costs for customers?

One Workgroup member believed that it was impossible to be categorical with regards to the supposed impacts of P272. However, there is a possibility that in the short term it will result in an increase but again we are not able to say definitively what the long term impact will be.

Ofgem felt that they needed more confidence of the likely impacts on customers.

A Group member commented that as a DNO they had no plans to treat Settlement for their customers any differently in the HH market and therefore they don't believe there will be an increase in costs. Additionally, it was considered that the majority of DNOs are of the belief that their current systems would be able to cope with any volume increase from moving PC 5-8 to HH and again due to this they did not foresee an increase in costs.

It was highlighted that if Suppliers were billed as they currently are there would be an increase due to the process changes. However, it was noted that DNOs do not intend for this to happen. From a DUOS perspective, it was considered that there would not be a stark increase in costs for individual customers. Overall the members with DNO experience considered that this was more a question that Suppliers would be able to answer.

One Workgroup member stated that Suppliers wanted to see aggregated billing as this would reduce costs. However, it was highlighted that was out of scope of the solution for P272. It was noted that DCP 103 is currently looking at what a new billing system will entail, with aims to provide a tactical HH billing solution within the next 12 months. Additionally issue 22 is also considering the longer term solution.

One Workgroup member believed that if the Group wished for PC 5-8 to Settled HH then this should be progressed now as costs will always be an issue for change. This view was challenged with a Workgroup member stating that politically this could be detrimental. Highlighting that there is already a vast amount of political pressure being placed upon the industry due to rising costs and that the industry as a whole is being viewed by the public with the same disdain that is commonly held for the banking sector. Furthermore, stating that no one disagrees that more accurate data within Settlement would be beneficial for all. However, it was argued that Suppliers cannot afford in the current climate to pass on an additional cost to customers.

Another Workgroup member commented that HH data is what Suppliers want, but they do not want this at any cost, stating that it needs to be conducted effectively and efficiently and that at times it feels like the Workgroup are rushing to implement this without dealing with all the issues.

In response to this a Workgroup member stated that there will always be issues to be overcome, but this is a question of whether we want to wait until everything is sorted or do we resolve to get this implemented and tackle the issues as an industry as and when they arise.

The Proposer asked Ofgem why did they implement a mandate to install HH meters if they didn't want people to be Settled HH? Ofgem stated that it was a DECC decision, but that they also believed that it was to do with benefits of load shifting.

A workgroup member noted that these costs will not be incurred by all suppliers; it will impact largely the big 6 but not every Supplier.

It was agreed that P272 is not implemented prices would not increase. However, should it be implemented there was a likely hood that in the short term at least there would be an increase, although, DCP 103 should alleviate at least some of the issues caused by this.

From an agents perspective it was argued that they did not predict that their charges would increase. However, not all agents agreed with this. Furthermore, they stated that it was unlikely that the costs would come down to the NHH level.

Are the costs detailed enough?

The question was raised that neither the Impact Assessment nor Assessment Consultation nor PSRG CBA provided a detailed assessment of costs as some would like to have seen. Does the Workgroup agree that currently no study would be able to provide an accurate assessment of the cost of this Modification due to the fact that the industry is unable to gage the impact in terms of costs?

A Group member highlighted that Centrica, Eon and British Gas did provide detailed assessments of costs and therefore would it not be appropriate to just extrapolate these costs for the entire industry? However, it was felt that this could be done for the incumbents to varying levels of success but this would not be able to be carried out for new entrants or smaller Suppliers.

Another Workgroup member stated that the issue of cost still revolves around DUoS and once that is resolved there people will want to move to HH arguing that there would be no need to mandate it at this point.

However, this view was countered by a Workgroup member stating that the mandate was needed to kick start the process and reduce costs.

Another Workgroup member also stated that without the mandate Suppliers control the elective HH Settlement process as they can refuse to let their customers move stating that it will increase their operational costs as it would require system changes. It was argued that by mandating this move it would prevent Suppliers cherry picking which of their customers could move to HH and preventing a certain section of the market from not obtaining the benefits of HH.

Does the Workgroup believe that we need further clarification of the impact of the CRC?

A workgroup member stated that if you mandate PC 5-8 to be settled HH then 5-8 would be required to report to the CRC. Reporting is an obligation and there is a tax at a certain level. It's argued that these customers were already under the CRC obligation as they have maximum demand meters. However, the Group noted that DECC are currently looking at the existing CRC requirements and that whilst there may be some interaction with the CRC the real impact depends on the outcome of DECC's review.

Are there any other barriers for an Agent re-qualifying to HH that have not been identified?

One Workgroup member didn't believe there were any other barriers and stated that this is a direct consequence of the modification and that this was not discriminatory.

Another member stated that the barriers/impacts would depend on how the agents are set up (systems, structures etc).

Does the Workgroup still believe that it is prudent to proceed with PC 5-8 initially and then to tackle 1-4 at a later date?

The Workgroup stated that essentially this is the crux of the issue and that they are not unanimously agreed one way or another.

One Workgroup member stated that moving 5-8 now is maybe not the most suitable solution if plans are afoot to carry out an entire market overhaul and that perhaps we should be looking for a whole market solution.

Another member stated that the major concern is protecting Settlement. If we get 5-8 resolved, settlement accuracy is protected for that section of the Market and that can then lead the way towards 3-4 and 1-2 or 1-4.

It was noted by the Group that if you were to mandate HH settlement for Profile Classes 1-8 in one go you would probably get a better solution; since it would take into account the wider market. This in turn might drive some costs savings as any solution development would only be have to done once and there wouldn't be incremental costs as the industry continual change systems over the next 10 years.

Alternative Solution

The Group considered responses to having an Alternative solution set around a later implementation date. The Workgroup agreed that a date of 06 April 2015 would be an appropriate date as it provided 12 months following the licence amendments to resolve any outstanding issues. April was also seen as a more desirable month to cope with large changes as it coincides with the beginning of a financial year, contractual rounds, setting of LLFs and other industry annual processes.

5 Second consultation

After discussing the first consultation responses at the meeting the Ofgem representatives asked the Group whether they could better quantify the costs and benefits of P272. The Group believed it would be extremely difficult for the industry to get better costs and the same issue had been flagged as part of the PSRG CBA and P272 Impact assessment.

However, the Group agreed to consult further to ascertain a clearer picture of what the costs will be across the industry, including initial set up costs and ongoing costs. The Group also requested any views on the scope for quantifying the benefits of P272 and how this might be accomplished.

Further Analysis

The Group noted the responses that received as part of the additional request for information and began to discuss what further analysis could be done to support the Modification. It became clear from the Groups discussions that whilst it was possible to estimate the cost of implementing P272 and to quantify the potential impacts i.e. increased DUoS charges, it was difficult to quantify the benefits.

The Group were asked to think of any way in which the potential benefits of P272 could be quantified. Whilst there was a desire to assist Ofgem as much as possible by completing any further quantifiable analysis, no one in the Group could devise what analysis to be undertaken. It was suggested that we could look at any benefit associated with incremental demand response. However, in order to complete this the Group would have had to:

- Agree what assumptions would form part of the analysis (i.e. what time of use tariffs suppliers would offer)
- Provide rationale for those assumptions
- Agree where the data to complete the analysis would come from
- Detail what the benefit of completing the analysis would be (i.e. does it help the Group form a conclusion)

The Group were unable to answer how and what analysis was to be undertaken and believed that in the future when data was available or assumptions were clearer some benefit analysis may be possible. The Group did agree that the Assessment Report should highlight to Ofgem what analysis might be undertaken in any future potential Regulatory Impact Assessment should one be required.

Place P272 on hold?

The majority of the group believed that issues with DUoS charges and lack of aggregated data were a fundamental 'show stopper' for this Modification. Some group members felt that until this issue has been addressed P272 could not be approved. They felt that P272 should be 'put on hold' until work on DUoS charges had been resolved under P280 and DCP103.

When asked, some Group members stated that if DUoS charges barrier was removed they would change their recommendation from reject to approve, but without introducing any new arguments.

The Proposer believed that P272 should stand on its own merits and that the DUoS charges issues, whilst possibly causing concern to some, was not stopping the progression of P272. P272 is not contingent on any other changes and should progress as such.

Other Group members believed that the DUoS charge issue was a barrier for the approval of P272, but was one of many barriers including systems costs, waiting for PC 1-4 changes, Suppliers could do this now etc. Whilst acknowledging that removing the DUoS barrier would help the cause of P272 it would not be a silver bullet which would resolve all the concerns around implementation. They also felt that if all industry change waited for another section of industry change to go first, nothing would happen. These members believed that the P272 report should be taken to the Panel noting the Groups strong wishes that a decision on P272 needs to consider the impact other industry change will have i.e. P280 and DCP103.

The Ofgem representative questioned the benefit of placing P272 on hold. They noted that, as with any Modification, P272 had benefits and drawbacks. Whilst resolving the DUoS charge issue might remove one of the potential drawbacks it was only part of the overall picture. As such they thought that P272 should progress to report and the Groups views on the impact of other industry changes should be captured in the report alongside any suggestions for further analysis.

Outcome of Panel meeting

At their meeting the BSC Panel discussed whether or not to ask for an extension for the P272 timetable in order to place the Modification 'on hold'. The Panel concluded that an extension should not be requested of Ofgem.

The Panel believed that since there were interactions with other changes, both under the BSC and DCUSA, it was prudent to get the report to Ofgem as quickly as possible so that they may consider the wider implications. They noted that all Modifications should be considered against the current baseline and issued to Ofgem as expediently as possible so that they may make a decision. When asked to comment Ofgem agreed that this was a sensible approach to take and that Ofgem would not be considering P272 in isolation if the wider industry issues.

As such the P272 Assessment Report will be presented to the Panel at their meeting on 12th January.

6 Timetable and Responsibilities

Timetable

Assessment activity	Date
Panel submits P272 to Assessment Procedure	09/06/11
P272 Modification Group meeting 1	23/06/11
BSC Agent/ELEXON impact assessment undertaken	22/07/11 – 12/08/11
P272 Modification Group meeting 2	24/08/11
Assessment Procedure consultation undertaken	23/09/11 – 14/10/11
P272 Modification Group meeting 3	21/10/11
P272 Modification Group meeting 4	05/12/11
Assessment Report submitted to Panel	06/01/12
Panel considers Assessment Report	12/01/12

Modification Group's membership and attendance

Member	Organisation	23/06/11	24/08/11	21/10/11	05/12/11
Colin Prestwich	Proposer's Representative	✓	✓	✓	✓
Colette Baldwin	E.ON	✓	✓	✓	✓
Eric Graham	TMA Data Management Ltd	✓	✓	X	X
Graham Smith	Western Power Distribution	✓	X	X	X
Howard Gregory	Npower	✓	✓	✓	✓
Jane Griffith	Western Power Distribution	✓	X	✓	✓
Jo Fallows	ENWL	✓	✓	✓	✓
Justin Vroone	IMServ	✓	✓	✓	✓
Kevin Woollard	British Gas	✓	✓	✓	✓
Lisa Waters	Waters Wye	✓	X	X	X
Jill Ashby	Gemserv	✓	✓	✓	✓
Phillip Russell	Independent consultant	✓	✓	✓	✓
Peter Gray	SSE	✓	✓	✓	✓
Jonathan Amos	Ofgem	✓	X	✓	✓
Andrew Wallace	Ofgem	✓	X	✓	✓
Steve Whitehead	Bglobal Metering	X	X	X	X
Tim Roberts	Scottish Power	X	✓	✓	✓
Paul Mott	EDF Energy	✓	✓	✓	✓
Walter Hood	Scottish Power	X	X	✓	✓
Seth Chapman	G4S Utility Services (UK) Ltd	N/A	✓	✓	✓
Martin Mate	EDF	X	✓	✓	X

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