

PUBLIC

Profiling and Settlement Review: Reducing Settlement Timescales

Final Report

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PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

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EXECUTIVE SUMMARY

Profiling and Settlement Review Group

The Profiling and Settlement Review Group (PSRG) was set up by the Supplier Volume Allocation Group (SVG) to review how the profiling and Settlement processes can be improved in light of the installation and use of advanced and Smart meters. The PSRG has successfully identified short-to-medium term improvements such as Half Hourly (HH) Settlement for larger non-domestic customers (raised through Modification P272) and ways to address barriers in HH Distribution Use of System (DUoS) charges (progressed under DCUSA - DCP179). ELEXON has also implemented a shorter Settlement profile production process. Furthermore, Ofgem has taken forward work from the PSRG on assessing longer term changes to mandate HH Settlement for all customers ([as part of its Smarter Markets Programme](#)).

Reducing Settlement timescales project

The Project Initiation Document (PID) set out the scope, timescales, approach and costs of a project to look at reducing Settlement timescales. The project's objectives were to define and assess the most cost effective approach to deliver reduction(s) in Settlement timescales. The roll out of Smart meters (and Advanced meters) will enable more timely and accurate meter readings and settlement processes can be improved to use this available meter data. The scope of the project was to investigate options for reductions in the settlement processes to allocate energy in a more timely and accurate manner. The approach was to set out the potential options for reducing Settlement timescales, consult with the industry, impact assess the most viable options and conduct an Impact Assessment of the benefits and costs of the preferred options. This report sets out the findings and recommendations of the Project.

Project Findings and Recommendations

The PSRG were all of the view that Settlement timescales should be reduced at a future point to enable the industry and consumers to obtain the benefits and savings from the earlier certainty of Suppliers' financial positions. They also considered that such a reduction was desirable as a 'stepping stone' to future Settlement timescales following the Smart meter roll out and potential implementation of the new timescales introduced by Smarter Markets Settlement Reform work.

Following a consultation on the benefits and impacts of reducing settlement timescales the PSRG were conscious of the Industry concerns around the impacts and uncertainty around the Smart meter roll out and the potential impacts on Supplier performance. In light of these concerns, the group could not agree a fixed date at which a reduction in Settlement timescales could be implemented. The group identified an alternative approach of monitoring settlement performance and where a trigger would be used to initiate the implementation of reduced Settlement timescales. The PSRG agreed the following proposal and recommendation for the Project

- i) A Modification of the BSC should be raised to introduce a monitoring and review process with the aim to reduce Settlement timescales when certain criteria are met¹;
- ii) The Modification will set up monitoring against defined criteria;

¹ A BSC Party would need to raise a Modification, as the PSRG, SVG, Panel or ELEXON are not able to raise a Modification.

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- iii) That the trigger event for a move to a reduced settlement timetable will occur when the market achieves [94%]² Settlement on actual energy at the R3³ Settlement run in three consecutive months;
- iv) Other supporting criteria will also be monitored to provide a picture of market performance:
 - That performance at the other settlement runs will also be monitored (e.g. RF performance is not less than that at R3);
 - that supporting information on the smart meter roll out giving the number of Smart meters installed (e.g. if [10m] smart meters have been installed , the rate of installation (e.g. [5m per year] and forecast data will be obtained from the Department of Energy and Climate Change (DECC); and
 - that other BSC market issues will be considered e.g. erroneously large EACs and AAs.
- v) If the criteria is met then this will trigger a BSC Panel review⁴ and if other considerations are satisfactory then:
 - the industry will be given at least [12] months implementation time and notification that the RF run will be moved to seven months; and
 - the timing of the Disputes Final run be reduced from 28 months to [12] months on implementation.
- vi) If the other considerations are NOT satisfactory the BSC Panel will defer the decision to a later date; and
- vii) Once the BSC Modification has been raised a holistic review of the disputes process will be undertaken.

In making the recommendation the PSRG noted that implementing on a fixed date was ideally preferable, in terms of industry certainty and implementation, but was not appropriate given the industry concerns above. Two PSRG members, that agreed the recommendations above, also favoured an alternative option of not seeking to reduce timescales in the short to medium term and to leave consideration of the reduction to Settlement timescales as part of the Ofgem lead Smarter Markets Settlement Reform work. In making the above recommendation the PSRG noted potential difficulties in implementing a Modification based on an uncertain trigger event and the potential precedent such a Modification could set. Additionally, they noted that a BSC Party would need to raise the Modification. Furthermore, the PSRG were uncertain that any BSC Party would be willing to raise such a Modification at the present time.

² Figures in square brackets are based on the considerations of the PSRG, the actual figures would be determined by the Modification Working Group or the group conducting the review of the disputes processes.

³ A R3 settlement is performed at approximately 7 months after the settlement trading day.

⁴ A review process similar to that for reviewing the Credit Assessment Price (CAP), Section M1.4 of the BSC.

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INTRODUCTION

The Project to look at reducing Settlement timescales was driven by the Smart metering roll-out (and Advanced Meters for Profile Classes 5-8). The Profiling and Settlement Review Group (PSRG) previously investigated this in March 2011. The PSRG's conclusion at that time was that no changes to Settlement timescales would be required until the bulk smart meters had been installed. The supporting rationale was that:

- It would not save significant costs centrally/industry (parties could not quantify savings);
- Additional costs involved in changing systems/ processes; and
- Prevents metering issues from being resolved if shorter timescales.

The proposal to reduce Settlement timescales was put on hold by the PSRG to be reconsidered at later date. However, there was a strong view that the Settlement timetable is currently too long.

The PSRG revisited the proposal at a PSRG workshop on 30 October 2013. The PSRG identified that a number of things had now changed to justify looking at the proposal again. These included:

- There is increased scrutiny of the electricity market driven by retail prices and the current high profile of the industry in the news;
- There is increased focus on inefficient processes;
- Uncertainties driven by the level of Feed-in Tariffs (FiT installations);
- There was a need to maximise Smart meter benefits, although it was noted that the lead times for change are long;
- There are a large number of initiative that will impact including Electricity Market Reform, Feed-in Tariffs Contract for Difference (FiT CFDs), the Capacity Market, and Payments for DSR may of which will have their own reconciliation approaches and may impact settlement reconciliation; and
- There is currently a lot of financial uncertainty.

It was also noted that The Trading Disputes Committee (TDC) had removed 12 out of 14 GSP Groups (GSPG) from Disputes Final (DF) Run. This gives a clear signal that settlement error was reducing in the market and that the time was right for another investigation into shortening reconciliation timescales. N.B. all 14 GSP Groups are now removed from DF Runs.

The PSRG noted its previous conclusions. However, it believed that the time was right to investigate this again with recent developments and the process of Settlement taking 28 months in a smart metered world had to be changed to be more efficient.

The PSRG set out a clear justification for looking at the proposal again and noted the potential implementation timescales for changes of this nature. The PSRG agreed that work should be taken forward to improve the Settlement processes and reduce the reconciliation and initial Settlement Run timescales. The PSRG requested ELEXON to draft a scoping document (Project Initiation Document (PID)) for such a project. The Supplier Volume Allocation Group agreed to commence a twelve month project starting in February 2014.

The Project Initiation Document (PID) that set out the objectives, scope and timescales for the project can be found at the following link: [PID](#)

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Interaction with Smarter Markets – Settlement reform

Ofgem established the Smarter Markets Programme to drive changes to market arrangements that will help realise the opportunity that Smart Metering presents to make retail energy markets work better for consumers. One of the projects under the Smarter Markets Programme concerns the [electricity Settlement arrangements](#).

Ofgem has published a launch statement setting out how it will progress this project. This document sets out that Ofgem consider it is in consumers' interests to be settled against their half-hourly consumption data from Smart Meters. The document also explained that Ofgem will shortlist the options for using half-hourly data in Settlement by the end of the year. As part of this work, Ofgem is examining the options for shortening Settlement timescales in the longer term. The Settlement reform expert group (established by Ofgem) has reviewed a number of ELEXON identified options in this area and Ofgem will be considering these further.

We recognised the importance of coordinating our work with that of Ofgem. Both Ofgem and ELEXON have been committed to sharing information and project plans, and meeting regularly to avoid duplication of effort and to ensure the outcomes of these respective projects align.

Current Settlement Timescales

There are currently seven settlement run types. The Interim Information Run (II) was originally used to identify any issues with Central Volume Allocation (CVA) data for generators and Grid Supply Point (GSP) metering such that they could be resolved prior to Initial Settlement (SF). The Settlement Final (SF) is referred to as the Initial Settlement run for the purposes of this report to avoid confusion with the Reconciliation Final (RF) run. The timescales for the interim Reconciliation Runs (R1 to R3) were set around traditional meter reading cycles.

The current timescales between the Settlement Date and the SVAA Run Date are set out below with some example dates to show the elapsed calendar time.

Run	II	SF	R1	R2	R3	RF	DF
Working Days	4	15	33	78	148	287	587
e.g. Settlement Day = 01/04/2012	05/04/2012	25/04/2012	22/05/2012	26/07/2012	02/11/2012	23/05/2013	23/07/2014

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THE PROJECT

The following Sections set out each of the Project Phases, the Industry views from two consultations, PSRG considerations and findings from each of the Phases. The final conclusions and findings of the PSRG and recommendations are then set out.

THE PROJECT PHASES

The Project consisted of five phases:

1. [The Development Phase](#)
2. [Industry Consultation on Key Drivers of Settlement Timescales](#)
3. [Option development and Internal Impact assessment](#)
4. [Consultation on Benefits and Impacts of defined options](#)
5. [Project recommendations and reporting.](#)

PHASE 1: THE DEVELOPMENT PHASE

The Project started with a development phase where ELEXON set out and refined the key drivers of Settlement timescales with the PSRG. In April 2014 an [Industry Consultation](#) on the key drivers for reducing Settlement Timescales was undertaken. The consultation set out the key drivers for initial Settlement, Final Settlement and the Interim Settlement runs for Industry consideration:



Figure 1. Key drivers for the Initial Settlement run from the April 2014 consultation.

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PHASE 2: INDUSTRY CONSULTATION AND PSRG DISCUSSION ON THE RESPONSES

ELEXON presented the nine consultation responses to the PSRG, who discussed the points and comments made to each of the consultation questions. In regard to Initial Settlement timescales, the PSRG discussed issues of meter data quality, impacts on credit cover, the new credit modifications (P306, P307 and P308, see ELEXON modifications), the Data Communications Company (DCC) performance targets and urban and rural population coverage. The PSRG noted that only one response was received that suggested that the Settlement Final (SF) run could be brought forward. The response suggested that it could be moved to the Interim Information (II) run.

Further discussion on this issue identified that currently there were no strong drivers to remove the II run or move the SF run from its existing timescales.

With regards to reducing reconciliation run timescales, there was also discussion on the existing 97% energy on actual meter readings target for Non Half Hourly (NHH). ELEXON presented analysis which suggested that this target could not be met at R3 (approx. 6 months after the trading day) until 2019 or 2020. This analysis was based on the smart roll-out profile available at the time, and if current NHH non-smart meter reading performance did not improve.

Additionally, there was discussion on the energy volume changes between EACs and AAs and some analysis provided by a PSRG member. Data privacy considerations were discussed as defined in the Supply Licence Condition 47 which defines the opt-out/ opt-in requirements for domestic customers to different meter reading timescales and levels of data granularity.

PSRG agreed that the disputes process should be reviewed separately following a decision on implementing revised reconciliation timescales. The PSRG also felt that it would be helpful to get more involvement of the Performance Assurance Board (PAB) in the project, as it was likely that Modifications would be raised as a result of the Project recommendations in its final report.

Since there were no drivers to change the II or SF run the PSRG focussed on the key drivers for the final Settlement run.

Key drivers of the final Settlement run



Figure 2. Key drivers for the final Settlement run from the April 2014 consultation.

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Some of the key drivers listed below would benefit from reduced Settlement timescales and some facilitate the reduction in timescales. Other benefits identified will flow from having the Smart Metering installed.

1. Purchase versus sales

All Suppliers need to manage their income and costs and employ resources (and incur costs) to reconcile purchases and sales. Some Suppliers have greater issues than others in this area. By reducing Settlement timescales, Suppliers could better and earlier match what the customer pays them against the energy they purchase. It may also improve margin/risk premium management.

2. Accuracy and timeliness

With the rollout of Smart meters more accurate and timely meter data should be available, thus enabling Settlement process timescales to be reduced. There is a potential trade-off between timeliness and accuracy as less accurate meter data at final Settlement may increase the likelihood of disputes.

3. Process and resource savings

Smart Meters should enable issues to be identified and resolved more quickly, thus enabling Settlement process timescales to be reduced.

4. Forecasting benefits

There are potential forecasting benefits, e.g. forecasting of a market participant's actual demand or generation, (particularly for Suppliers) of a reduced Settlement timetable. If Settlement data is both timelier and more accurate it would improve forecasts by Suppliers.

5. Impact of Smart and Advanced (AMR) meter data

Smart metering should improve the accuracy of Settlement, as there is the ability to remotely disable vacant sites ensuring unrealistic Estimates of Annual Consumption (EACs) are not applied in Settlement. Additionally, more accurate EACs for sites that are being read more frequently should arise. With this increased confidence in the accuracy of EACs, these could facilitate a reduction in the timing of the final reconciliation run.

6. Performance

With better and timelier meter data, Suppliers performance should improve and this would enable reduced Settlement process timescales.

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PHASE 3: PSRG RECOMMENDED OPTIONS AND INTERNAL IMPACT ASSESSMENT

In light of the consultation responses, the PSRG considered some ELEXON analysis on actual meter data performance to help agree options for reducing reconciliation timescales. PSRG believed that targets could be set in advance of implementation to encourage the smart meter roll-out and for parties to fix data quality problems in the existing NHH market. The PSRG noted that the timeframe for changes under this Project were between now and 2020 since the longer term options were being considered by Ofgem.

The PSRG agreed two options to be assessed for the next stage of the Project:

Option 1

- The RF run to be moved to replace the R3 run by 2017;
- Existing 97% performance level retained for RF; and
- Disputes processes to be reviewed if implemented.

Option 2

- The RF run to be moved to replace the R3 run by 2017;
- RF then moved to replace the R2 run by 2020;
- Existing 97% performance level retained for RF; and
- Disputes processes to be reviewed if implemented.

The two Options identified by the PSRG can be summarised as follows:

NOW (SVA)



2017 (Both Options)



2020 (Option 2 only)



These options were then sent for an internal impact assessment by ELEXON. A summary of the results of this internal impact assessment is set out in the next section.

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INTERNAL IMPACT ASSESSMENT: PHASE 3

ELEXON conducted an internal impact assessment of the two options identified by the PSRG. The results present the impacts on the BSC systems and processes. Estimates of implementation costs and timescales were also identified, along with estimates of operational cost savings arising from reducing the number of Settlement runs. The details of the internal impact assessment are shown in [Appendix A](#).

Summary of the key points from Internal Impact Assessment:

- **The impacts on the BSC systems are believed to be minimal. Changes are needed only to remove the redundant Settlement run types;**
- **There are a number of BSC processes that would be affected by the implementation of the options identified, so changes would be needed to update the internal ELEXON processes. These changes may also trigger further process reviews in the future;**
- **As identified in the internal impact assessment, the implementation costs for Option 1 are estimated to £270K with potential implementation within 6 months. The central implementation costs and timescales for Option 2 have been identified to £320K and 6 months respectively;**
- **It is believed that there will be minimal operational resource saving in undertaking fewer Settlement runs as all the processes would still occur each day for the other run types. However, the following operational savings have been identified due to the reduction in the volume of files that would need to be distributed over the Data Transfer Network (DTN) on the Supplier Volume Allocation Run:**
 - **Option 1: £74K a year;**
 - **Option 2: £149K a year;**
- **The criteria the PSRG agreed for its initial assessment, based on those that Ofgem used in the Settlement reform work, are accuracy, speed, simplicity, flexibility, cost, integration and implementation; and**
- **The initial assessment showed that whilst there may be some initial performance impacts on Suppliers, these would resolve themselves quickly as Smart Meters are rolled out. Both options are faster, simpler and more flexible than the current baseline. Additionally, the central implementation costs could potentially be recouped quickly by operational savings.**

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PHASE 4: PSRG CONSIDERATION OF THE BENEFITS AND SAVINGS FROM REDUCING SETTLEMENT TIMESCALES

In addition to considering the benefits identified in the internal impact assessment (both options are faster, simpler and more flexible than the current baseline), the PSRG discussed the wider benefits of reducing Settlement timescales. The PSRG noted that the central implementation costs and timescales for both of the options identified were minimal. The PSRG agreed that both the options would move the industry in the right direction as Smart Metering is rolled out across the country. They recognised that future industry improvements such as demand side response and Time of Use tariffs could be dependent on earlier visibility for Suppliers of customer responses or reactions to tariff signals. They also agreed that the options for change would appear to dovetail with the Ofgem Settlement reform options that are being considered. Hence, implementation of a reduction in Settlement timescales could be seen as a 'stepping stone' to the future improved Settlement model, helping to deliver Ofgem's ambition for "smarter markets" (ones that are more efficient, dynamic and competitive) and deliver better outcomes for consumers.

Furthermore, the PSRG believes that earlier Settlement provides Suppliers with greater 'margin' security and there are benefits for better matching of purchases and sales. Additionally, the reduced risk that comes from earlier financial certainty could result in stronger competition by reducing barriers to entry.

There would also be some potential process and resource saving if there were less Settlement runs. For example, there would be fewer D0095⁵ exception reports to resolve. The PSRG pointed out that the number of issues or exceptions is not impacted by reducing Settlement timescales, but the time available to identify and resolve them. However, earlier resolution of data issues should be considered as a good outcome for Suppliers and the consumer.

The group also considered that there would be benefits to consumers from earlier final Settlement for instance where back billing is required.

The PSRG views on the benefits and identified options was set out in an industry Consultation in September 2014 on the [Benefits and Impacts of Reducing Settlement Timescales](#).

⁵ The Non Half Hourly Data Aggregation Exception Report.

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PHASE 4: THE RESPONSES TO THE CONSULTATION ON BENEFITS AND IMPACTS

The PSRG met in October to discuss the thirteen consultation responses received from the Industry. The full non-confidential responses can be found at the following link: [Consultation Responses](#)

High level summary of responses

The following provides a high level view of the key themes from the consultation responses:

Suppliers: Benefits and Impacts, Costs and Savings

Supplier key themes were as follows:

- frequency and accuracy of data identified as key drivers of timescales and benefits;
- financial planning, sales and purchases benefits identified but some identified only minimal benefits and one party felt that there were no consumer benefits;
- future uncertainty around Smart metering, the Data Communication Company performance and Settlement reform were highlighted;
- data quality and potential requirements for additional resources were identified;
- a number of consequential changes to the Agent contracts, reading strategy/frequency and changes to business processes and systems; and
- Suppliers identified some costs areas but did not provide any actual costs in all but one instance.

Supplier Agents: Benefits and Impacts, Costs and Savings

Supplier Agent key themes were as follows:

- Costs are driven by additional effort such as additional meter readings;
- Medium, minimal or no costs were identified for the implementation of the options identified;
- Modest benefits and cost savings from reduction in workload and Data Transfer Network (DTN) savings; and
- Minimal or no system or process changes were identified by one Agent.

LDSOs: Benefits and Impacts, Costs and Savings

LDSO key themes were as follows:

- Implementation costs of up to £30K were identified;
- DTN savings were identified; and
- Some minimal benefits and cash flow impacts were identified.

Lead Times

Lead times for implementation range from five to six months for LDSOs and Party Agents and up to 12 or 24 months for Suppliers.

Transition

No transitional issues were identified by LDSOs or Supplier Agents although further consideration of potential Supplier impacts was suggested. Two Suppliers suggested an alternative approach such as staggering or tapering be

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adopted. Consequential changes and changes to the Performance Assurance Framework (PAF) were also highlighted.

Preferred Options

There was no overall consensus on the options, although the LDSOs all preferred Option 2. One Agent opted for Option 1 and another for Option 2, while two did not give a preference for either option. One Supplier was clearly against either of the options and one suggested we simple move RF to R2 in 2020. Two Suppliers favoured Option 1 but did not favour signalling the intent to move to Option 2.

Other Considerations identified

Other considerations included potential delays in the Smart roll out, Supplier charges and the PAF, the manual meter read process and a consequential change required for the disputed read process on Change of Supplier (CoS).

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PHASE 4: PSRG CONSIDERATION OF THE RESPONSES TO THE CONSULTATION ON BENEFITS AND IMPACTS

Benefits and impacts

The PSRG noted that respondents did not clearly identify the benefits of reducing Settlement timescales. It was also noted that respondents are pessimistic as to whether there would be 50% roll out of smart Meters by 2017, with one PSRG member noting that it is not certain that the DCC will go live by the publicised date. As such, PSRG members thought it might be prudent to wait until there was more certainty. PSRG members were concerned that if the rollout of Smart meters and/or the DCC was delayed, then the Performance Level (of 97% of Non-Half Hourly (NHH) energy settled on an actual meter reading by the Final Reconciliation Run (RF)) would not be achieved if RF timescales were reduced.

Smart meter concerns

It was noted that there are currently no Smart meters that comply with the Smart Metering Equipment Technical Specification version 2 (SMETS2) and that once available there may also be a 'testing' phase which could affect the roll-out timetable. There may also be issues with reading the new meters or other issues which would need to be resolved before considering reducing Settlement timescales.

Volume of change in the market

A PSRG member noted the volume of change that the industry is currently undertaking, which is having an impact on resources. They therefore questioned whether it was the right time to take this forward. However, ELEXON noted that there will also be changes driven by industry, government etc. and so there never seems to be a good time. Noting that Ofgem's Settlement Reform work is looking at reducing Settlement timescales, ELEXON noted that this proposal would act as a stepping stone towards Ofgem's proposal and potentially would bring benefits in the transition to a rollout of mandated half hourly settlement.

Reductions in Field staff

A PSRG member mentioned that industry is reducing its meter reading field force to pay for Smart meter rollout, which could mean that the staff may not be available to take a manual reading if a remote reading is not possible. It was noted that whilst there will be a field force made up mainly of meter installers, these will be more expensive and industry won't want to use them to take Meter readings. The member therefore noted that this is a risk, which could impact on achieving the performance level.

Meter reading cycles

In considering meter read cycles, it was agreed that there would not necessarily be any extra readings in any 12-month period. However, it was agreed that there would likely be an increase in the number of 'must be read' reads, which would have cost and contract implications.

Advanced meter roll-out

It was asked whether there were any lessons from the rollout of Advanced meters for Profile Classes 5-8 and whether this could be extrapolated to the smart rollout. ELEXON noted that there have been no major remote reading issues reported by the two Suppliers with the biggest share of Profile Class 5-8 Metering Systems.

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Settlement reform considerations

Mindful of Ofgem's Settlement Reform work, the PSRG agreed that there would be a point at which there was no real benefit in making the 'stepping stone' change if this was too close to further change (e.g. Half hourly settlement). PSRG agreed that this was likely to be late 2018/early 2019, if the Settlement Reform change came into effect in 2020.

ELEXON reminded members of its previous view that it wanted to set challenging performance levels to incentivise industry to meet the standard sooner. It was noted that this would also drive/incentivise Smart meter rollout. ELEXON suggested one option not considered could be to set the Performance Level at 97% of NHH energy settling on an actual at the Third Reconciliation Run (R3), and to keep the Settlement timescales as is for now. It noted that this would incentivise performance and still allow any errors to be resolved before RF. This would have less of an impact on Trading Disputes than reducing the Settlement timetable at the same time.

The PSRG:

- **agreed with the principle of reducing the Settlement timetable;**
- **had concerns with the Smart meter rollout (timing and issues) and any resultant impact on data quality for settlement;**
- **wanted to address issues before progressing with recommending the change; and**
- **wanted monitor smart Meter rollout to see if the Performance level on a reduced Settlement timetable was achievable before deciding on whether to progress.**

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PHASE 4: PSRG AGREED OPTIONS FOLLOWING THE CONSULTATION

Further Options for the way forward presented to the PSRG for consideration

At the October meeting ELEXON presented a number of further options for PSRG discussion, as follows:

Option No.	Option	Pros	Cons
A	Make a recommendation for the final report based on either of the options in the consultation	Gives the Industry certainty and moves us towards future Settlement timescales for Smart metering	Lack of Industry buy-in. Worries about the Smart-roll out and uncertainty around Settlement Reform
B	Agree recommendation based on: a) a new date at which an option would be implemented b) Wait until a clearer picture of Smarter Markets Settlement Reform options are available	Gives the Industry certainty and moves us towards future Settlement timescales for Smart metering and provides more time for the industry and greater certainty of future	Difficulty or uncertainty in setting a new date until more information is available. Settlement reform detail will not be delivered within the current Project timescales.
C	Agree some criteria, a monitoring process and lead times to trigger a reduction at some point in the future e.g. when 50% of Smart Meters are rolled out +12 months	Sets a defined approach to setting a trigger for a move to reduced settlement timescales and sets a certainty of implementation timescales following the trigger event	Lack of certainty on implementation timescales for industry. Difficulties in defining appropriate criteria, monitoring and lead times.
D	Undertake some further work/analysis to get a better recommendation or clearer view on costs and benefits - e.g. talk to Suppliers individually	Potentially provided clearer benefits, costs and impacts of the options	Risk that this will not move us any further forward due to participants inability to provide appropriate detail on benefits, costs and impacts of the options
E	Any other options proposed by the PSRG. – <i>none identified</i>	-	-

The majority of PSRG members preferred the option (Option C) where a Modification would include an implementation approach, which would set criteria that would need to be met, which would then trigger a further implementation period before the requirement took full effect. ELEXON advised that such an approach could be problematic and may not be allowed under the BSC; however, it agreed to investigate this further. The PSRG's majority preference was to initially recommend this, should such an approach be allowed. It agreed that the criteria should be based on a certain percentage of Smart meters installed and when performance for the R3 met a certain percentage. It was agreed that the criteria and method of monitoring still needed to be determined. The PSRG agreed that once the criteria were achieved, its preference was that the reduction in Settlement timescales would happen a defined number of months later.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

PSRG agreed way forward

PSRG agreed that one way forward would be to agree criteria that must be met before the Settlement timetable could be reduced. They requested that ELEXON undertake further work to define the criteria. They agreed that a meeting take place in November 2014 to consider this way forward (as well as other proposals) and draft its final recommendations for the Project.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

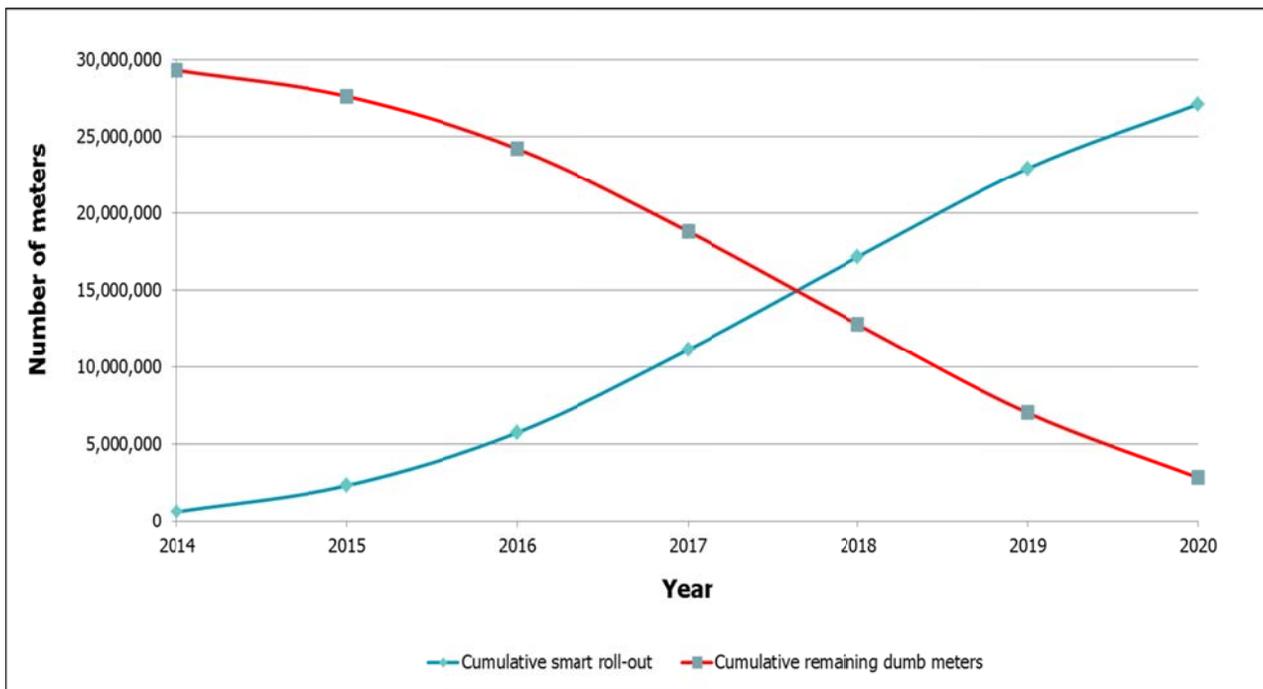
PHASE 5: ELEXON STRAWMAN AND PSRG DISCUSSION ON CRITERIA TO BE MET TO TRIGGER A REDUCTION IN SETTLEMENT TIMESCALES

At the meeting on 8 November 2014, ELEXON presented the following straw man solution. It was drafted in line with Option C of the options presented at the previous meeting.

Strawman criteria for the Smart roll rate of consumption and performance

It was agreed that the criteria for a trigger should be tied to the definitive data source (e.g. DECC or Ofgem) of the number or proportion of Smart electricity Meters that have been rolled out. Also, the frequency by which this information is updated will also be an important consideration.

Using the latest available data, from DECC on Suppliers' Smart meter roll-out plans, ELEXON constructed the following chart. It demonstrates the likely rollout of Smart meters and shows the numbers of both Smart and non-Smart (dumb) meters between now and 2020.



From the above chart it can be seen that the mid-point of the roll-out is likely to occur in 2017. Using the above data, ELEXON has estimated the potential improvement to Settlement performance, if the existing non-half hourly (NHH) performance remains static and 99% of data is retrieved from the new Smart Meters. The results shown in the table below suggest that the target level for the NHH market could be achieved at the R3 Settlement run by 2019, even without any additional effort by Suppliers to improve their NHH Performance.

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Performance Energy Settled on Actual Meter Readings							
Settlement Run type	Year						
	2014	2015	2016	2017	2018	2019	2020
SF	10.45%	15.58%	25.96%	42.20%	60.40%	77.78%	90.46%
R1	37.67%	41.22%	48.41%	59.66%	72.26%	84.30%	93.08%
R2	70.87%	72.50%	75.80%	80.96%	86.74%	92.26%	96.29%
R3	90.74%	91.22%	92.19%	93.70%	95.40%	97.02%	98.20%
RF	97.31%	97.40%	97.60%	97.91%	98.26%	98.59%	98.84%

The rate of the forecast roll-out is not linear but can give an indicative rate of approximately five million installs per year between 2016 and 2019.

Strawman trigger for reducing Settlement timescales

DECC have indicated that they should get new data from Suppliers towards the end of the year which can be shared once received and reviewed. They have indicated that their understanding is that Ofgem will not be collecting numbers for their annual milestone request, but will collect percentage of meter base to be smart by the end of each year. So the actual number of smart meters rolled out may have to be extrapolated from the available data. So given the information currently available, ELEXON proposed the following strawman trigger for discussion by the PSRG:

- When the definitive source of the roll-out statistics shows that 10 million Smart Meters have been installed (could be split e.g. Domestic and Non-Domestic targets)⁶;
- At the trigger point the following assessment is made:
- The experienced rate of install is [X] million Smart Meters per year; and
- Supplier performance across the industry at the R3 Settlement run and the figures for SF, R1 and R2.

Then this will be the trigger point at which the move to reduced Settlement timescales will start to be implemented. This will be achieved by ELEXON monitoring from the start of the mass roll-out of the above statistics and reporting to the BSC Panel.

We propose the process for monitoring be undertaken by ELEXON and the PAB and reported monthly to the Panel:

- We obtain figures from Ofgem/ DECC on Smart meter rollout, analyse and presented to PAB;
- Monthly report provided on Supplier performance, % actuals; and
- Present any significant issues that might influence the decision to reduce, e.g. significant matters from BSC Audit, top settlement risks.

⁶ We chose the number of smart meters rolled rather than a percentage as the percentages will vary by Supplier and cannot be simply aggregated. Therefore, we will convert percentages by Supplier into a number of MSIDs based on their customer base and then aggregate. Although the number could then be converted into a percentage across the market it would be necessary to fix the 100% figure to avoid the % fluctuating. i.e. it could go down as well as up if large numbers of new MSIDs are registered.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

Strawman lead times for implementation timescales following the trigger event

The strawman lead implementation times could vary depending on the experienced rate of installs and industry performance at the trigger event:

Rate of installs (millions per year)	Implementation lead times by performance levels (Energy on AAs) in Months			
	94%	95%	96%	97%
<3	30	24	18	12
4	24	18	12	6
5	18	12	6	
>6	12	6		

The lead times will then be signalled to the Industry such that necessary changes can be implemented.

Strawman options for the length of the reduction in timescales

The recent consultation concentrated on the two options identified by the PSRG:

- Moving the RF run to the timescales for R3, i.e. 7 months;
- Moving the R2 run at a later date, i.e. 4 months.

The consultation responses suggest that this work should 'dovetail' with the timescales identified from Ofgem under the Settlement reform work. The current options identified by Ofgem are as follows:



One option would be to move to the longest Settlement reform option currently 6 months as can be seen above. However, there are advantages of moving to the timing of the current R3 run as this will have fewer knock-on effects for parties. Hence, we suggested that at the trigger event the industry move the RF run to **7 months**.

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Strawman options for extra Settlement runs

The PSRG consultation on benefits and impacts suggested that a holistic review of the disputes process is conducted once and changes to Settlement timescales are agreed by Ofgem (i.e. through a Modification). For the purposes of this strawman we suggested we consider two options:

Option	Pros	Cons
Move the DF run from 28 months to 14 months	Provides earlier certainty of final position in line with the intent of the proposed changes.	Reduces time for identification of errors in the market.
Leave the DF run at 28 months	No change option. No knock-on or implementation issues.	Does not address the intent of the change to reduce the timescales and provide earlier certainty.

We identified the risk that reducing Settlement timescales may make the disputes final run a 'de-facto' run to sort out issues discovered after final Settlement. In light of this the threshold for raising disputes will also require consideration. A higher interim threshold could reduce the volume of disputes and use of the process while the roll-out is being completed. Another option presented would be that industry led disputes are given 12 months for the DF run but issues with central systems data (e.g. metering data from CDCA) can be corrected up to 28 months.

At the 8 November meeting the PSRG discussed the strawman approach set out above.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

RECOMMENDATIONS AND REPORTING: PHASE 5

PSRG discussion on the strawman approach

PSRG discussion on definitive data source for smart meter roll out statistics

The PSRG discussed a number of options and pros and cons for obtaining data on the smart roll out:

Party	Pros	Cons
DECC	Could be seen as definitive source. Suppliers will be obligated to provide this data. Single source of the view.	Issues with timeliness and availability.
Ofgem	As above.	Data may not be easy to extrapolate. DECC indicated that the figures will be % of portfolio by end of each year. May not be timely.
Suppliers	Within the BSC gift to put an obligation on Suppliers to provide this data and set timescales.	Sets a further requirement on Suppliers to provide this data to another Party. Issues with the accuracy of self-declaration. Suppliers' track record in providing data could be better. Multiple sources would require aggregation.
DTS	Commercial arrangements can be put in place and funded through the BSC. Would be timely and potentially more accurate.	The ability to track the roll out through data flows may not be easy to define or may not be achievable. May require aggregation processes.

A PSRG member identified the requirement on Supplier's to provide to Smart meter roll out statistics and projections in a quarterly report to DECC at post code level. They also noted that that DECC would aggregate the data by distribution region. The PSRG agreed that, subject to availability, this would be the most appropriate source of data to track the smart meter roll out. It was also noted that reporting was only required by Suppliers that have over 250k Metering Point Administration Numbers (MPANs).

PSRG discussion on the trigger event

The PSRG noted the proposed trigger at 10 million MPANs but felt the key criteria to address Supplier concerns was performance. It was noted that Suppliers key concern was delivering the Smart meter roll-out rather than improved performance that would be facilitated by the ability to get more timely reading from the smart meter. The PSRG also discussed whether performance improvement could be forecast. It was agreed that it could be extrapolated following a monitoring process, but there were difficulties in setting a trigger event based on a forecast level of performance at some point in the future not least the fact that the forecast may be incorrect. It was also noted that measuring performance at R3 introduced at 7 month time lag into the monitoring (e.g. if monitoring were introduced in January 2016 the available R3 data would be for Settlement dates in June 2015 (not long after the start of the mass roll out). The group discussed whether the rate of install and a minimum level of Smart meter installations were important factors in setting the trigger event. The PSRG agreed that since Performance improvement potentially flowed from the installation of the smart meters it could be used as the mechanism for the trigger event. It was noted that performance can fluctuate. The PSRG agreed that the performance at each run type should be considered since improvements at SF would be seen earlier than R3.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

PSRG discussion on Implementation dates and lead times

The PSRG discussed whether the implementation date should always be 'Effective from' a settlement date of the 1 April. The PSRG agreed that ideally this would be the case due to ease of implementation, however should not constrain the options. It was noted that the most reasonable lead time identified from the Consultation on Benefits and Impacts, in Phase 4 of the project, was 12 months. It was noted that combining the lead time of at least 12 months and an ideal implementation date of 1 April could be problematic. For instance, if the trigger event occurred in May 2017 then implementation could take 23 months (e.g. April 2019).

PSRG discussion on implementation approaches

The PSRG considered the pros and cons of two implementation approaches one for a fixed date and one for a triggered event (Option A and Option C identified previously):

Option A



Option C



The PSRG agreed that Ofgem would prefer the certainty of Option A, but noted that setting a defined date was problematic given the industry concerns on the Smart meter roll-out and Supplier performance. The group considered if there were any precedents for settling an implementation date for a BSC Modification and the backing it out or revising the implementation date. An example was provided where a Modification was agreed to set the Price Average Reference (PAR) to 100 and some analysis identified some potential issues resulting in a new Modification to set PAR to 500. Also mentioned was that Modification P272 which mandated customers in Profile Classes 5 to 8 to be settled Half-Hourly had its implementation date revised following a BSC consultation directed by Ofgem.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

PSRG discussion on Performance and Performance monitoring

The PSRG noted that ELEXON had looked at options for mitigating the Performance impacts on Suppliers from reducing Settlement timescales. ELEXON believed the roll out would not change Settlement performance initially. This is because the difficult to read sites would also be hard to access and would only have Smart metering fitted towards the end of the roll out. Getting reads sooner does not necessarily improve performance overall, but will do at earlier settlement runs. On seeking to mitigate the impacts on Suppliers if performance is worse and the BSC performance standards are kept the same, the PSRG agreed that it would go against the principles of incentivising performance and if a solution needs a Modification during the monitoring process it would impact implementation timescales. On specific other mitigations:

- Short term derogation against 97% performance - no precedent, so would need a Modification;
- Reducing Supplier cap – currently the larger Suppliers benefit from the reallocation of the charges so would not be an effective tool for mitigation; and
- Reducing 97% to a lower requirement – needs a Modification and is undesirable for Settlement accuracy.

It was also noted that the performance targets are seen as a dis-benefit, by the industry, to reducing timescales in the short to medium term but how lowering them is a dis-benefit to Settlement. Hence, there is a tension between the two issues when promoting a reduction in timescales. The PSRG also noted the following options for monitoring:

- Monitoring could be set up via serials or simply new processes. No Modification is required if just a monitoring serial;
- Third party data is better than self-declared e.g. from DTS service provider or NHHDC scripts;
- It depends on what you want to monitor. New performance issues are likely to arise which we cannot predict;
- Straight forward monitoring could be implemented in two-three months; and
- Costs will be dependent on complexity and timescales.

Issues that could affect performance as Smart meters are rolled were presented to the PSRG for consideration. ELEXON believed that issues uncovered with the existing dumb Meter would always be backward looking and would be a data exercise and should all be resolvable within a few months of discovery. Those uncovered prior to implementation of reduced timescales would still have 14 months to be resolved. Hence, it is issues with the installation and operation of new Smart meters fitted after the reduction in timescales that may impact Settlement performance. ELEXON presented the following issues to the PSRG:

Issue	Consideration/Impact
Incorrect Meter Technical Details	Unlikely, since majority will be simple whole current domestic customers. Information can also be obtained from the Smart Meter.
Communications issues	It is likely that these will only affect small numbers of customers in rural areas and the Data Communications Company has high service requirements in this respect.
Data quality	Data quality should be better from the Smart Meter also data can be re-read from the Smart Meter and remote diagnostics may also be available where issues arise.
Data hand-offs	These issues are less clear as there is a lack of clarity on how Suppliers will pass Smart Meter data to their agents and issues that may arise in this area.

The PSRG considered these and noted the limited impact of these issues. They were also asked if they could identify any other issues with Smart meters that are likely to impact performance. The PSRG identified that the biggest risk

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were Meter Class Type errors where it is discovered after installation that one particular type of meter has a fault or error which may affect many customers. The PSRG also discussed the smart meter testing arrangements and delivery timescales.

Supplier Charges were also discussed and it was noted that a review of this mechanism was already underway following the approval of Modification P272.

PSRG considerations on the Disputes process

The PSRG considered the two options for the Disputes Final (DF) run and agreed that the run should be moved to 14 months (currently Final Reconciliation, RF) to meet the intent of this Project. The need for a wider review of the Disputes processes would be required if a Modification were raised to implement a reduction in Settlement timescales. The PSRG preference was for these changes to be progressed separately to any recommended Modification since this could cause delay.

The PSRG considered that a process should remain in place to correct 'big errors' such as those that maybe found in Central Volume Allocation (CVA). Additionally, an option for an industry insurance policy with risks assessed by an underwriter is another option that could be considered in a review of the Disputes process. It was also recommended that both the timescales and criteria for raising Disputes would also form part of the consideration for any review of the Disputes process.

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FINAL RECOMMENDATIONS OF THE PSRG

The PSRG met on 3 December 2014 and considered a revised version of the options for reducing Settlement timescales that were set out at the previous meeting:

Option	Description
1	Recommend an approach to (1) Reduce settlement timescales to R3 April 2017 or (2) Reduce as in (1) plus reduce to R2 in April 2020, or (3) based on a different date at which reduce to R3 (and/or Reduce to R2) N.B Mod needs to raised
2	Reduce Settlement timescales as part of the Ofgem lead Smarter Markets Settlement Reform work
3	Reduce settlement timescales to R3 based on when meet agreed criteria. Employ a monitoring process and recognise [X] month lead time
4	Undertake some further work/analysis to get a clearer recommendation and/or clearer view on costs and benefits
5	Do not recommend any reduction in timescales

PSRG Recommendations

The PSRG were all of the view that Settlement timescales should be reduced at a future point to enable the industry and consumers to obtain the benefits and savings from the earlier certainty of Suppliers financial positions. They also considered that such a reduction was desirable as a 'stepping stone' to future Settlement timescales following the Smart meter roll out and the potential implementation of the new timescales introduced by Smarter Markets Settlement Reform.

Following the consultation on the benefits and impacts of reducing settlement timescales, the PSRG were conscious of the Industry concerns around the impacts and uncertainty around the smart meter roll out and the potential impacts on Supplier performance. In light of these concerns the group could not agree a fixed date at which a reduction in Settlement timescales could be implemented. After consideration of the strawman approach to triggering the implementation of reduced Settlement timescales the PSRG agreed the following proposal and recommendations for the Project:

- i) **A Modification of the BSC should be raised** to introduce a monitoring and review process with the aim to reduce Settlement timescales when certain criteria are met⁷;
- ii) **The Modification will set up monitoring against defined criteria;**

⁷ A BSC Party would need to raise a Modification, as the PSRG, SVG, Panel or ELEXON are not able to raise a Modification.

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- iii) That the trigger event for a move to a reduced settlement timetable will occur when the market achieves [94%]⁸ Settlement on actual energy at the R3 Settlement run in three consecutive months;
- iv) Other supporting criteria will also be monitored to provide a picture of market performance:
 - That performance at the other settlement runs will also be monitored (e.g. RF performance is not less than that at R3);
 - that supporting information on the smart meter roll out giving the number of Smart meters installed (e.g. if [10m] smart meters have been installed , the rate of installation (e.g. [5m per year] and forecast data will be obtained from the Department of Energy and Climate Change (DECC); and
 - that other BSC market issues will be considered e.g. erroneously large EACs and AAs.
- v) If the criteria is met then this will trigger a BSC Panel review⁹ and if other considerations are satisfactory then:
 - the industry will be given at least [12] months implementation time and notification that the RF run will be moved to seven months; and
 - the timing of the Disputes Final run be reduced from 28 Months to [12] months on implementation.
- vi) If the other considerations are NOT satisfactory the BSC Panel will defer the decision to a later date; and
- vii) Once the BSC Modification has been raised a holistic review of the disputes process will be undertaken.

In making the recommendation the PSRG noted that implementing on a fixed date was ideally preferable, in terms of industry certainty and implementation, but was not appropriate given the industry concerns above. Two PSRG members, that agreed the recommendations above, also favoured an alternative option of not seeking to reduce timescales in the short to medium term and to leave consideration of the reduction to Settlement timescales as part of the Ofgem lead Smarter Markets Settlement Reform work. In making the above recommendation the PSRG noted potential difficulties in implementing a Modification based on an uncertain trigger event and the potential precedent such a Modification could set. Additionally, they noted that a BSC Party would need to raise the Modification. Furthermore, the PSRG were uncertain that any BSC Party would be willing to raise such a Modification at the present time.

⁸ Figures in square brackets are for demonstration purposes the required actual figures are to be determined by the Modification Working Group or the group reviewing the disputes processes

⁹ A review process similar to the process for reviewing the Credit Assessment Price (CAP)

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APPENDIX A – PHASE 3: INTERNAL IMPACT ASSESSMENT

ELEXON conducted an internal impact assessment of the two options identified by the PSRG in Phase 3. The following is a summary of the impacts on BSC systems and processes and estimates of implementation costs and timescales are identified. Furthermore some savings are identified that arise from reducing the number of runs.

BSC System impacts

System	Description	Impact
MDD	The Market Domain Data system that holds the standing data used for Settlement	None
SVAA	The Supplier Volume Allocation System that performs the Volume Allocation runs for Settlement	None
Pool Application	The application that performs the daily Profiling calculations	None
Data Marshalling	The system that receives all the aggregated volumes and other files submitted by Parties and their agents	None
ECVAA	The system that receives the Energy Contract Notifications from Trading Parties	None
NHHDA	The ELEXON developed software fused for aggregating energy volumes	Documentation changes only.
EAC/AA software	The ELEXON developed software for calculating Estimated Annual Consumptions and Annualised Advances	None
BMRS	The Balancing Mechanism Reporting Service System that reports data from the Balancing Mechanism and other sources	None
CDCA	The Central Data Collection Agent System that collects meter data from centrally registered metering systems	Validation and Front end screens
SAA	The Settlement Administration Agent System that performs the imbalance and pricing calculations	Validation and Front end screens
FAA: Settlement Calendar	The Funds Administration Agent (FAA) System that calculates the FAA payment calendar on an annual basis.	Changes to remove the redundant Settlement Run types from the calendar
PARMS	The Performance Assurance Resolution Monitoring System that receives data from suppliers and their Agents used to assess Supplier performance	Software and Documentation Changes
Supplier Charges and SRR and Dashboards	System used to charge Suppliers based on their Settlement performance, the Settlement Risk Register and Supplier Dashboards	Changes to the system to remove the SP08a R3 charge, or move it to R2. Repeated for 2020 if option 2 is implemented and to remove other references to the run types.

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BSC process impacts

There are a number of internal ELEXON processes that would be affected by implementation of the options identified.

Process	Description	Impact
Settlement Calendar Review Process	The process that review the SVAA and SAA Settlement calendars	Change to remove redundant run types from the calendars
PARMS	The Performance Assurance Resolution Monitoring System reporting and processes undertaken by ELEXON staff	Update of tables, scripts, reports, BSCP533 -PARMS DATA PROVISION, REPORTING AND PUBLICATION OF PEER COMPARISON DATA and internal processes
MDD	The process to update the Market Domain Data	Housekeeping change
Other Processes	Other processes that may be impacted as a result of this change	A number of potential impacts identified that may give rise to process review or redefined standards

Central implementation costs and implementation timescales

The following is a summary of the implementation costs and timescales identified in the internal impact assessment based on estimates from our existing service providers.

Option	Description	Cost (£)	Timescales
1	<ul style="list-style-type: none"> The Final Reconciliation (RF) run to be moved to replace the R3 run by 2017; Existing 97% performance level retained for RF; and Trading Disputes processes to be reviewed if implemented. 	270K	6 Months
2	<ul style="list-style-type: none"> The RF run to be moved to replace the R3 run by 2017; RF then moved to replace the Second Reconciliation (R2) run by 2020; Existing 97% performance level retained for RF; and Trading Disputes processes to be reviewed if implemented. 	320K	6 Months

Operational savings

It is believed that there will be minimal operational resource saving in undertaking fewer Settlement runs as all the processes would still occur each day for the other run types. However, the following operational savings have been identified due to the reduction in the volume of files that would need to be distributed over the Data Transfer Network (DTN) on the Supplier Volume Allocation Run:

- Option 1: £74K a year
- Option 2: £149K a year

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Flow Name	Description	Per Run Type per Month	Saving Option 1 (£)	Saving Option 2 (£)
D0079	Supplier Purchase Report	367 MB x £2.44/5	1.79	3.58
D0082	Supplier Purchase Matrix	991 MB x £2.44/5	483.61	967.22
D0081	Supplier HH Demand Report	3468 MB x £2.44/5	1,692.38	3,384.77
D0043	Supplier Deemed Take Report	519 MB x £2.44/5	253.27	506.54
D0276	GSP Cons. Totals Report	4711 MB x £2.44/5	2,298.97	4,597.94
D0296	Supplier BM Unit Report	3011 MB x £2.44/5	1,469.37	2,938.74
Total per Month			6,199.39	12,398.78
Total per Year			74,392.69	148,785.38

PSRG initial assessment criteria

The PSRG first agreed the following criteria¹⁰ for its initial assessment. These criteria are based on those that Ofgem identified for the Settlement reform work. ELEXON has used the adjusted criteria for its initial assessment for the ELEXON internal impact assessment process.

Criterion	Description
Accuracy	Accuracy in the allocation of volumes through Settlement
Speed	Speed of volume allocation
Coverage	Coverage in terms of type and number of customers
Simplicity	Simplicity of the volume allocation process
Flexibility	Flexibility to accommodate changes in the regulatory framework and the market

¹⁰ The PSRG agreed that the coverage criterion was not appropriate since any changes would apply to all SVA Settlement metering systems.

PROFILING AND SETTLEMENT REVIEW: REDUCING SETTLEMENT TIMESCALES

Criterion	Description
Cost	Cost in managing Settlement
Integration	Integration with other market arrangements
Implementation	Implementation in terms of ease, timing and risks

PSRG's initial assessment

The initial assessment below shows that whilst there may be some initial performance impacts on Suppliers, these would resolve themselves quickly as Smart Meters are rolled out. Both options are faster, simpler and more flexible than the current baseline. Additionally, the central implementation costs could potentially be recouped quickly by operational savings.

Criterion	Initial Assessment
Accuracy	Based on no change in Supplier processes. Potentially 4% on energy on Actuals less accurate on implementation of move to R3 in 2017 but as accurate by 2019. R2 estimated to be at 96.3% by 2020 so marginally less accurate of Option 2 on implementation.
Speed	Both Options provide faster final Settlement than current baseline. Option 1 by 7 months in 2017 and additionally a further reduction of 3 months in Option 2 by 2020.
Simplicity	Both Options simpler than current baseline as less Settlement runs.
Flexibility	More flexible than the current baseline due to earlier certainty of final Settlement positions. Allows easier implementation of new changes and less complex Settlement process.
Cost	<p><i>Industry Costs - will be informed from the responses to this consultation</i></p> <p>Central Implementation Costs Opt 1: £270K and 6 months Opt 2: £320K and each change requires 6 months- will be determined by the Industry Impact A</p> <p>Central Implementation savings Potential DTS Saving of £6K per month for Option 1 and £12K for Option 2. Over 10 years a saving of £1.5m for Option 2.</p>

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Criterion	Initial Assessment
Integration	Better than current baseline as final Settlement is sooner and less Settlement runs.
Implementation	Straightforward from a central BSC perspective, as minimal impact. <i>Responses to this consultation will provide information on implementation timescales for industry.</i>