ELEXON

Report Phase Consultation Responses: 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

Consultation issued on 12 November 2012

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
TMA Data Management Ltd	0 / 1	Party Agent
Electricity North West Limited	1 / 0	Distributor
SSE Energy Supply Ltd	2 / 1	Supplier / Generator / Party Agents
SSEPD	2 / 0	Distributor
E.ON	5 / 7	Supplier / Party Agents
Food and Drink Federation	0 / 1	Consumer Group
ScottishPower	3 / 1	Distributor / Supplier / Supplier Agents
Western Power Distribution plc	4 / 0	Distributor
SmartestEnergy Ltd	1 / 0	Supplier / Consolidator / Trader
GDF SUEZ Marketing Limited	2 / 0	Supplier
RWE npower	10 / 0	Supplier / Generator / Trader / Consolidator / Exemptible Generator / Party Agent
Consumer Focus	0 / 1	Consumer Group
British Gas	1 / 0	Supplier
EDF Energy (late response)	10 / 0	Supplier / Party Agent / Consolidator / Exemptable Generator / Generator / Trader

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Question 1: Do you agree with the Panel's initial recommendation that the P272 Proposed Modification should not be approved?

Summary

Yes	No	Neutral/No Comment
10	3	1

Responses

Respondent	Response	Rationale
TMA Data Management Ltd	No	P272 Proposed modification should be approved, the arguments used to reject P272 need to be addressed whether P272 is approved or not. The main issue being the DUoS charges methodology. It is a known barrier to more customers being settled HH but the move to have advanced metering, capable to record HH data has been mandated for sites in P5 to 8, P272 simply seeks to move forward with the technology available and industry changes already mandated. Approving P272 would support the ongoing impetus to adjust the DUoS charges issues.
Electricity North West Limited	Yes	Electricity North West were initially in favour of the P272 proposed modification, and with P280 and DCP 151 being raised to remove the DUoS charging barriers to support NHH customers transferring to HH settled, felt that an agreed solution would be in place for 1st April 2014. As P280 has been rejected and therefore DCP 151 has been withdrawn the DUoS barriers have not been resolved. Currently the NHH/HH Working Group have begun raising changes to address the methodology issue, PC 5-8 Maximum demand should be measured HH. IT is difficult to see whether there is sufficient time to develop and implement the charging methodology by April 2014.
SSE Energy Supply Ltd	Yes	Without the implementation of P280 we don't believe the expected benefits of this modification can be achieved, and our preference was for the alternative modification.
SSEPD	Yes	In view of the fact P280 has been rejected by Ofgem
E.ON	Yes	I believe this modification has been raised too early. There are a number of issues with the solution at this time, and that the level of cost associated with the proposed solution makes this modification unacceptable in its current form. The issue of DUOS remain a barrier, and despite the modification not

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Respondent	Response	Rationale
		requiring alternative DUOS arrangements, not resolving these are a significant market barrier to implementation. The system costs to implement the modification are considerable not only for suppliers but for LDSO and those costs will inevitably find their way through to customer bills, which considering the pressure customers are already facing with higher energy costs, you need to be certain that the benefits the modification lays claim to can definitely by achieved and I think a number of them are unrealisable. Customers can already elect to have HH settlement, tariffs are offered by some suppliers, however customers prefer not to be HH unless their capacity makes it an absolute necessity – and even then it is resisted. By mandating the movement to HH we are taking away customer choice and not allowing competition in the market to drive behaviour. More work needs to be done to understand what settlement with better industry data can achieve. The solution needs to drive improvements in the use of consumption data for settlement purposes, which can then find its way into the pricing structure. The solution has to balance costs and benefits across the whole market, and not disadvantage any individual sector by leaving higher residual costs on parts of the market that can't yet take actions to avoid incurring those costs because they are moving to smart metering in a different time frame.
Food and Drink Federation	-	-
ScottishPower	Yes	We agree with the majority view that P272 does not meet Objective (c) or (d) as per the reasons outlined in the workgroup's final views.
Western Power Distribution plc	Yes	We do not believe that the costs will outweigh the benefits when compared to the future scenario of these customers being settled through smart metering.
SmartestEnergy Ltd	No	We cannot understand the Panel's thinking here. The cost benefit shows that in the median case the benefits outweigh the costs by £32m. There are, however, good reasons to believe that this differential would be even greater: competition will force costs down and those with higher costs currently should be able to access lower costs; on the benefits side, there are many benefits which are qualitative and have not been quantified.

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Respondent	Response	Rationale
GDF SUEZ Marketing Limited	No	We supported this change in the initial consultation on the grounds that it met the applicable BSC objectives by increasing competition and efficiency and benefitting customers through more predictable billing and pricing.
RWE npower	Yes	We agree with the Panel's recommendation not to approve the Proposed Modification. We acknowledge that time and resource has been invested in the cost benefit analysis however the results produced from this do not clearly show a positive benefit from mandating the HH settlement of Profile Classes 5 – 8. At an individual customer level there might be benefits for HH settlement but these benefits are not clearly replicated across the entire industry so we could not support a modification to mandate a process which could potentially disadvantage the industry and our customers. There could well be a time when the potential benefits outweigh the costs, and you would expect that Suppliers would start to move Profile Class 5 - 8 sites over to HH settlement at that point. The transition to HH settlement should be left to market forces and not be a mandatory requirement. We also believe that further analysis would be required in order to effectively facilitate the bulk COMC process, because at present there are concerns regarding capacity to process significant measurement class changes.
Consumer Focus	Yes	Consumers with AMR in Profile Classes 5-8 can already be settled Half-Hourly (HH) on a voluntary basis, but this is not happening. We believe this is likely to be for a number of reasons: • Increased costs to serve in relation to distribution charges; • Increased costs to serve in relation to supplier agent costs; and • An absence of retail energy products and/or consumer demand for those products that would necessitate HH settlement. The assessment of P272 has done a reasonable job in exploring the first two of these issues while we understand (though do not agree with) the third being outside the scope of industry assessment processes. However, the proposal itself does nothing to resolve the first two issues. While an argument can be made

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Respondent	Response	Rationale
		that approving the proposal would give impetus for these issues to be tackled elsewhere we think that setting a precedent of solving problems by making them more urgent is not a good way for an orderly market to be governed. We note that the central case for the cost/benefit analysis is wide, varying from a significantly negative NPV to a significantly positive one, with a central case that is moderately positive. We are nonetheless minded to agree with the majority view of the industry group that the impact is more likely to be negative. A principal reason for this is that the c/b/a fails a simple 'sniff test': if there was a high likelihood that the NPV was materially positive we doubt you would need to mandate something that can already be done voluntarily. For the avoidance of doubt, this submission should not be interpreted as opposition in principle to settling consumers with HH equipment on an HH basis; indeed we understand the theoretical benefits to this. We are simply concerned to see those benefits evidenced and – if demonstrated – acted on in an orderly fashion. In the first instance we would suggest that the non-code commercial barriers around distribution charging should be tackled. Existing industry efforts to resolve the distribution charging issues appear to have either stalled (withdrawn DCP103) or failed (rejected modification P280). We think that these areas should be revisited before any consideration is given to altering BSC rules. Removing these commercial barriers to HH settlement would allow its benefits (or not) to be exposed to the most legitimate litmus test of policy – whether a voluntary HH approach based on realistic costs is attractive to consumers or not (do consumers actually want Time of Use tariffs or not if they are given a choice?). This does not require P272. We note that the proposal is for the Proposed modification to go live on 1 April 2014 – 5 days before the legal deadline for AMR to be installed. We also note that 75% of consumers in PC5-8 have already had AMR installed. While we agree that this suggests it is likely that rollout would be (almost?) complete by the go-live date of the proposal we would like to have seen more detail on the treatment of any sites that for whatever reason have not had AMR installed by that time. Will consumers at such sites see any degradation in their service?

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Respondent	Response	Rationale
British Gas	Yes	We agree with the Panel's recommendation that P272 should not be approved. We do not believe that the Proposed Modification would better facilitate the BSC applicable objectives. We agree with the workgroups assessment that the Proposed Modification would be neutral against objectives (a), (b) and (e) and we believe that the Proposed Modification would have a detrimental effect on objectives (c) and (d) for the following reasons: (c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity (d) Promoting efficiency in the implementation of the balancing and settlement arrangememts. It is our view that the weighted average costs specified in the cost benefit analysis is the more accurate view of the likely costs to be incurred by industry in implementing P272. Different parties will have different costs depending on their own business and systems structures. It is therefore right to use the actual costs submitted by parties rather than using a false middle ground cost that in unachievable. It also our view that the benefits that could be achieved by P272 have been overstated. A number of the benefits are not specific to P272 but can be achieved by suppliers offering Time of Use tariffs. These benefits can be achieved by using existing NHH settlement arrangements should suppliers wish to offer these. We believe that industry costs incurred would be at the level stated under the weighted average cost level of £199.2m but benefits would not even reach the low estimate of £70.2m. In view of this the proposed modification should be rejected.
EDF Energy (late response)	Yes	**Overall, we don't think BSC objectives would be better met, and don't think there is sufficient evidence of an overall cost-benefit for consumers. From the assessment, it appears more likely than not that the considerable implementation and operating costs would outweigh the uncertain benefits.** P272 would deliver more accurate allocation of energy costs between suppliers, including a small reduction in

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Respondent	Response	Rationale
		meter reading errors, and earlier settlement accuracy for a small part of the supply market. In principle, more accurate allocation of costs should allow BSC Objective (c) concerning competition to be better met, and also potentially allow BSC Objective (b) concerning efficient system operation to be better met. However, in practice most of the benefit for consumers as a whole would depend on response by some consumers to time-of-use price signals provided by suppliers, and there is considerable uncertainty about this and its impacts. The implementation and operational costs are high, taken across the industry, and BSC Objective (d) would not be better met. <u>Discussion</u> Currently, suppliers and their customers share some of the uncertainties in individual times-of-use for sites measured non-Half-Hourly. Under P272, competing suppliers would be subject to more accurate time-of-use costs for their particular customers, which would be reflected in customer tariffs. Any supplier tending to have customers that turn out to have a more costly actual profile than average would either seek to target that cost on those customers, or share the cost in generally raised tariffs. There would be competitive effects, and there could be movement of consumers between suppliers as a result, perhaps leading to further segmentation of consumer portfolios. There could be winners and losers among consumers, but we think the overall benefit for consumers is likely to be small in the short term. The main potential benefits from P272 come from more efficient use of generation and network capacity resulting from consumer response to time-of-use tariffs. However, there is little firm evidence to indicate that P272 would trigger significant consumer response that could deliver larger economic benefits, just as there is little firm evidence that existing half-hourly settled consumers respond significantly. In principle, we accept that consumer response to time-of-use energy and network prices has potential to result in economically efficient outcomes, and that increased half-hourly settlement could assist in facilitating such a response. However, there are uncertain but undoubtedly significant costs in

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Respondent	Response	Rationale
		mandating half-hourly settlement for advanced meters currently settled Non Half-Hourly in Profile Classes 5-8, and uncertainty in the consumer response that might be delivered. The administrative benefits of half-hourly settlement for Profile Classes 5-8 are relatively small. Consequently, there is great uncertainty in the overall economic cost-benefit of this proposal. The analysis performed in the workgroup assessment highlights these uncertainties. We think adoption of significantly more Half-hourly settlement for sites currently in PC5-8 would be more efficiently undertaken in conjunction with developments using Smart meters for PC1-4 together with future DCC capability. A more cost-effective method for significantly increasing numbers of sites settled half-hourly and, probably more importantly, increasing the response of consumers to time-of-use prices (using either HH or non-HH register tariffs) would be in conjunction with future changes for smart metering and DUoS charges. In particular, anticipated changes to DataCommsCo functionality to incorporate registration, data collection and aggregation and data processing. Incorporating with changes for "smarter markets" and "smart grids" should deliver synergies, reduce the costs specifically for PC5-8, avoid dilution of limited resources, and avoid development that is very likely to be superseded within a few years by more significant changes developed for use with smart meters. Note that voluntary adoption of HH settlement by those suppliers or consumers who see benefit in it could create natural competitive incentives for other suppliers or consumers to adopt more HH voluntarily. If suppliers or consumers that can benefit from HH settlement relative to average profiles move to HH, those with more expensive actual energy profiles remaining on NHH will see increasing costs.

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Question 2: Do you agree with the Panel's initial recommendation that the P272 Alternative Modification should not be approved?

Summary

Yes	No	Neutral/No Comment
11	2	1

Responses

Respondent	Response	Rationale
TMA Data Management Ltd	Yes	The Alternative is adding a year to the initial timescales delaying any benefits. None of the discussions by the Panel proved that it would actually help Suppliers to fulfil their obligations under P272 to wait 12 months after the mandate to have advanced metering for sites in PC5 to 8 starts.
Electricity North West Limited	No	Electricity North West do not agree with the Panel's recommendation to reject P272 alternative modification, because by April 2015 majority of the issues that have been highlighted during the P272 consultation should have an agreed industry solution e.g. • Charging Methodology for PC1-8 customers being settled HH • Any availability deemed necessary for HH aggregated data As P272 only concerns customers on PC5-8 of which 80+% of AMR (capable of recording HH) meters have already bee fitted, using the HH data would provide the following benefits and by April 2015 should be virtually complete; • More accurate data • Better system planning and reinforcement • Better cost reflective DUoS tariffs can be introduced
SSE Energy Supply Ltd	Yes	Although our support was for this alternative modification, without the implementation of P280 we don't believe the expected benefits can be achieved.
SSEPD	Yes	As above but if P280 had been approved the 2015 date would have been preferable.
E.ON	Yes	The difference between the proposed and the alternate is merely the implementation date. Customers are already in NHH contracts that extend past both of

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Respondent	Response	Rationale
		these timeframes, and may be detrimentally impacted by the implementation of these proposals and removal of the choice to be HH settled. Ofgem's recommendations to review settlement arrangements for a world with smart data should look at a whole market solution for the existing NHH market which allows all customers to enjoy the benefits of improvements in settlement data equally.
Food and Drink Federation	-	-
ScottishPower	Yes	We believe that the same issues that need to be addressed for the proposed Modification also need to be addressed for the Alternative i.e. all the cost issues surrounding DC; MOP & DUoS need to be resolved in order that there is not a detrimental impact on Customers and/or Small Suppliers by mandating the use of HH metering
Western Power Distribution plc	Yes	We do not believe changing the implementation date will change the outcome.
SmartestEnergy Ltd	Yes	The modification should be implemented with an effective date in April 2014. This is in line with the licence condition on suppliers to have installed half hourly metering at sites with a PC 5-8 by then. It is a nonsense to suggest that an additional year is required to gather data. Most sites already have half hourly meters in already and the improvements to settlements should be instigated from 2014 onwards.
GDF SUEZ Marketing Limited	No	As above.
RWE npower	Yes	We agree with the Panel's recommendation not to approve the Alternative Modification. We acknowledge that time and resource has been invested in the cost benefit analysis however the results produced from this do not clearly show a positive benefit from mandating the HH settlement of Profile Classes 5 – 8. At an individual customer level there might be benefits for HH settlement but these benefits are not clearly replicated across the entire industry so we could not support a modification to mandate a process which could potentially disadvantage the industry and our customers. There could well be a time when the potential benefits outweigh the costs, and you would expect that

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Respondent	Response	Rationale
		Suppliers would start to move Profile Class 5 - 8 sites over to HH settlement at that point. The transition to HH settlement should be left to market forces and not be a mandatory requirement. We also believe that further analysis would be required in order to effectively facilitate the bulk COMC process, because at present there are concerns regarding capacity to process significant measurement class changes. The Alternative Modification did allow a longer period of time in which to process the change to HH so would have allowed for any potential issues to have been identified and resolved without causing such a significant impact on market participants.
Consumer Focus	Yes	For the same reasons as we think the Proposed Modification should be rejected.
British Gas	Yes	Although the alternative Modification delays the implementation by a further year the same fundamental issues exist for the Alternative Modification as for the Proposed Modification outlined in response to Question 1 above. As result we believe that implementation of P272 would be detrimental to BSC objectives (c) and (d) and the recommendation to reject is the correct one.
EDF Energy (late response)	Yes	Although an implementation date of 1st April 2015 (instead of 1st April 2014) would allow implementation costs and uncertainties to be reduced, those costs would still be significant, and there is no firm evidence that the benefits would outweigh the costs ultimately likely to be borne by consumers. A later implementation date would allow implementation costs to be further reduced, and work to be co-ordinated more effectively with other activities.

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Question 3: Do you agree with the Panel's recommended implementation approach?

Summary

Yes	No	Neutral/No Comment
13	0	1

Responses

Respondent	Response	Rationale
TMA Data Management Ltd	Yes	The implementation approach is good. I would like to moderate the potential issue raised with the complexity of the COMC process. It is indeed a complex process; it should be noted that the processes listed in BSCP504 V30 and BCSCP502 V21 are a concurrent change of Supplier and change of measurement class from NHH to HH. Another level of complexity that can be removed from the COMC taking place as part of P272 is the meter change as it will have been completed prior to COMC. The COMC process in this instance becomes more streamlined and simpler – it is just a logical change. One of the issues under current mandatory (100 Kw "qualifiers") is customers having to make HHMOP contracts, but by the end of 2014 all these customers will have appropriate metering, there will be no need for new contracts or meter changes.
Electricity North West Limited	Yes	Electricity North West agree with the Panel's implementation approach as it is pragmatic in that if Ofgem have not made a decision on the P272 proposed modification by 14th February 2013 then they have until 13th February 2014 to make a decision on P272 Alternative modification, when some of the issues maybe resolved.
SSE Energy Supply Ltd	Yes	All Industry Parties were given the opportunity to contribute to the cost benefit analysis of this modification.
SSEPD	Yes	-
E.ON	Yes	-
Food and Drink Federation	-	-
ScottishPower	Yes	We disagree with the date for the Proposed modification and our preference would be for the Alternative date should this Proposal go ahead.
Western Power	Yes	This seems a reasonable approach.

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Respondent	Response	Rationale
Distribution plc		
SmartestEnergy Ltd	Yes	-
GDF SUEZ Marketing Limited	Yes	As above.
RWE npower	Yes	We agree that the timescales allowed for implementation are acceptable, however considerations are needed surrounding the structure of the process to ensure a streamlined transition between NHH settled to HH.
Consumer Focus	Yes	No comments.
British Gas	Yes	Whilst we disagree fundamentally that P272 should be implemented at any time we agree with the implementation approach recommended by the Panel. We will need a minimum of a year to implement P272 and therefore any Ofgem decision would be required by 14th February 2013.
EDF Energy (late response)	Yes	If the proposal or alternative are approved, the implementation approach is pragmatic though expensive. We would have to expend significant effort on, amongst other things: • meter agent contract issues resulting from termination of NHH service contracts and appointment of HH service providers, which are more expensive, noting that some customers contract directly with agents, and EDF Energy currently provides NHH services but does not currently provide in-house HH DC/DA services to its customers; • sites where reliable communications capability does not exist despite having taken reasonable steps to provide it, and where meter reconfiguration from NHH to HH might be more difficult; • DUoS billing/pricing considerations, as DUoS amounts would change; • interaction with customers: changes to agent services, particularly where contracted directly by customer; change to supply details; tariff changes

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Respondent	Response	Rationale
		to reflect metering cost changes; • general changes to tariffs reflecting changed costs; • internal system and process changes to support the new arrangements, all in association with the Change of Measurement Class process. If the proposed supplier performance targets for actual reads by R1 and for relevant meters to be settled HH were lower, at least initially, implementation and early operation costs would be reduced, by allowing time for communications issues with "difficult" sites to be resolved with fewer resources. A later implementation date would allow implementation costs to be reduced, and work to be co-ordinated more effectively with other activities.

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Question 4: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P272?

Summary

Yes	No	Neutral/No Comment
11	0	3

Responses

Respondent	Response	Rationale
TMA Data Management Ltd	Yes	-
Electricity North West Limited	Yes	Electricity North West agree with the redlined changes to the BSC as it covers the Supplier licence obligations with regards to fitting the AMR meter and the date on which HH data should be used for settlement, the Supplier and Supplier Agents obligations are set out and the performance levels.
SSE Energy Supply Ltd	Yes	Yes.
SSEPD	Yes	-
E.ON	Yes	-
Food and Drink Federation	-	-
ScottishPower	Yes	-
Western Power Distribution plc	Yes	-
SmartestEnergy Ltd	Yes	-
GDF SUEZ Marketing Limited	Yes	-
RWE npower	Yes	We believe the redlined changes deliver the intention of P272
Consumer Focus	No comment	We have not reviewed the legal text.
British Gas	Yes	-
EDF Energy (late response)	-	We have not undertaken legal review of the proposed text.

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Question 5: Do you have any comments on the underlying costs and benefits (including the assumptions) used in the cost-benefit analysis?

Summary

Yes	No
9	5

Responses

Respondent	Response	Comments
TMA Data Management Ltd	Yes	Cost is obviously an important aspect of change but should not be the only driver. The range of costs provided by respondents shows there are high level of inefficiencies for some participants, which should not be used as a brake to implement changes for all - on the contrary, it should spur the Industry on, to improve processes and systems further in order to remove these inefficiencies and look to the most efficient arrangement available. The increase in the number of HH sites will only further improve the cost profile of HH services available to Suppliers. (and to the benefit of consumers)
Electricity North West Limited	Yes	We do not understand the Panels' decision to reject when there is a cost benefit identified in this area.
SSE Energy Supply Ltd	No	Satisfied with the extensive cost-benefit analysis work carried out.
SSEPD	No	-
E.ON	Yes	A lot of work was done on the costs and benefits to parties for this modification, but we disagree that some of the assumptions on benefits can actually be achieved – for instance those of load flattening and load shifting. There is no evidence available that gives us a level of confidence that these figures are realistic, similarly the costs of major IT projects rarely come in on budget and consequently the benefits may have been overstated while the costs are probably understated for some respondents. The range of costs and benefits captured during this process demonstrate that the costs and benefits are variable, and so assumptions of comparing various permutations of those costs and benefits could result in the worst possible outcome of incurring the highest cost and the lowest benefit – a net position of £128m of cost. Whereas the counterfactual scenarios of letting

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Respondent	Response	Comments
		the market evolve to HH naturally results in relatively neutral costs and benefits, without exposing a relatively small number of customers to a huge cost risk which parties may not be able to mitigate. It has been suggested during the development of the solutions that, by not implementing the modification as soon as these customers have HH capable metering that, we are limiting access to this sector of the market from realising some benefits from mandated HH settlement earlier than they could if we allowed a natural progression via the elective HH settlement arrangements. However, mandating the HH settlement imposes significant cost on a smallish number of customers without any guarantee that they can achieve the perceived benefits, whereas a reform of the settlement arrangements using both AMR and Smart metering data for the sub 100 KWH market could make the costs to deliver change more affordable and ensure a fair distribution of benefits across the market.
Food and Drink Federation	No	-
ScottishPower	Yes	While we welcome the detailed analysis of both costs and benefits by the workgroup it is a concern that the results provided such a wide ranging variation on both aspects of costs and benefits. In addition we also recognise that the sensitivity analysis carried out shows relatively minor changes can have a significant impact on the overall picture.
Western Power Distribution plc	Yes	Due to restrictions on what working groups can consider, the baseline was taken as continuing as normal. The benefits of implementing P272 centre on improving the accuracy of settlements, something that the implementation of smart metering is also intended to do. A more accurate baseline would have been to consider the benefit over and above settling on smart meter data. This could not be done by the working group as smart meter settlements has not yet been finalised or implemented. The additional benefits diminish when compared against a smart meter baseline.
SmartestEnergy Ltd	No	-
GDF SUEZ Marketing Limited	No	-

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Respondent	Response	Comments
RWE npower	Yes	We acknowledge that the work undertaken during the Cost Benefit analysis was significant and resulted in a good set of data by which to make an informed decision. However we must still acknowledge that principles are as much of factor as costs and that change shouldn't be completely governed by costs.
Consumer Focus	Yes	It would be useful if the underlying mathematical model (excel spreadsheet) used to create the scenarios could be published, as we found it fairly hard to decipher the sensitivities of the outcome to any changes in the assumptions. We can see potentially significant consumer benefits if settlement data could be used to reduce the level of distribution losses on the network. Currently distribution losses account for between 5 and 8% of total flow. This makes a significant contribution to carbon emissions (Ofgem"s current work on distribution losses incentives suggests that they may contribute as much as 1.5% of total UK greenhouse gas emissions) and is likely to cost consumers a significant amount of money in the form of wasted generation. While the c/b/a refers to distribution losses the benefit of this appears to be quantified at £0 (page 37 impact assessment). Clearly better data in isolation doesn't reduce losses – the networks would need to act on it for this to happen – but it would be useful if the value (or not) of it as a facilitative tool for that to happen was assessed. This may be something that Ofgem can usefully pick up in its regulatory impact assessment.
British Gas	Yes	**M1, M2, M3 Load Flattening, Load Reduction and Carbon Benefits** ***Load Flattening*** These benefits depend critically on the assumptions quoted, eg 2.8% reduction across peak generally, and other assumptions about customers' consumption on ToU tariffs. The benefits pack itself does not seek to justify the 2.8% figure, but refers to a July 2010 DECC study on the Impact of SMART meters and ToU tariffs. The 2010 DECC study itself does not directly justify the 2.8% figure other than by way of panel experts, but does seeks some support from a May 2007 study by the Carbon Trust, which involved field trials (which assumed 2.5% as a minimum). The focus of the Carbon Trust study was to study the

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Respondent	Response	Comments
		effect of advanced smart meters on customers consumption and was published in May 2007, well before the start of the credit crunch and subsequent significant fall off in national consumption. Its remit was not to study either the effects of ToU tariffs nor of settlement, instead working on energy awareness and efficiency. Critically, it had no direct supplier involvement (and hence was unable to study the effect of ToU tariff trials). The benefits quoted were focussed on enhancing customers' awareness of their consumption. We do not dispute that Smart meters can lead to improved energy efficiency, but it is our contention that much of the proven benefit is associated with enhanced customer awareness and subsequent energy efficiency action. There may be small additional load flattening benefit associated with ToU tariffs as customers are financially incentivised to shift load there they can. However it is our view that the incremental benefits of ToU tariffs (as opposed to the total benefits of Smart meters) are likely to be smaller than that assumed, particularly under current market conditions. We also believe that time of use tariffs can be offered to customers and some of the settlement benefit achieved using the existing NHH arrangements. We have set up new SSC's that enable us to record energy moved from peak. **M5 Reduced BSC Admin Costs** We agree there would be some saving from eliminating completely work required to update and maintain profile data for PC 5-8 **M6 Reduced Balancing Costs** Agree that lower imbalance will lower the volume of energy imbalance actions that grid will need to undertake. Benefits can arise on the demand and generation side. The potential benefit of lower BSUoS would be socialised via overall better system imbalance. However, we agree with Grid's analysis that costs are higher in practice due to the impact on system margin and so this is an additional cost to the market through higher BSUoS and therefore a dis-benefit to HH settlement. We believe that this dis-benefit must be accounted for in the analysis as failure to include this gives a false picture of the overall costs benefit analysis.

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Respondent	Response	Comments
		M7 Reduced Network Investment This benefit is completely false and should not be included in the benefit analysis. Flattening loads should reduce reinforcement requirements however we believe the methodology for calculating the benefit is flawed. Costs recovered via DUoS and TNUoS charges cover all network costs, not just reinforcement costs and therefore the calculated benefits will be significantly overstated using the proposed methodology. Furthermore, by using the same Use of System rates in the base case and the in the reduced/flattened load scenario the methodology is flawed because it does not recognise that in practice the assumed change in customer behaviour will significantly impact the applicable tariff rates. The most appropriate way to measure the benefits of any reduced or flattened load is to compare the overall price control settlement pre and post the change in customer behaviour. Unless the change in behaviour reduces the overall amount of revenue to be recovered by the network companies via use of system charges there will be no market benefit. **S1 Reduced Supplier Energy Purchase Costs** We agree that there may be some benefit here however as stated in our previous response we doubt whether suppliers will focus their forcasting efforts on utilising HH PC 5-8 consumption data given the small volumes affected by PC 5-8. **S2 Reduced Supplier Imbalance Prices** We do not agree that there is a benefit here. Any overall balancing benefit would be captured within M6 above but due tot cost of National Grid actions this will become a dis-benefit. Reduced supplier energy costs are captured in S1. **S3 Better Matching of Purchases versus Sales** The opportunity cost saving of 5% is a complete estimate by the working group is not substantiated by any quantifiable evidence. **S4 Reduced Supplier Costs** ***Better matching of purchases versus sales***

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Respondent	Response	Comments
		This benefit is a duplication of the benefit highlighted under S3 ***Better billing for customers:*** We agree that by using actual HH data we have less billing queries than where we sometimes use estimates for NHH customers ***Reduced Assurance costs:*** Our agents still encounter dial up problems with HH customers where we are unable to obtain the HH data. It will require a step change in performance from our current AMR metering dial up performance to reach the 99% required for full HH ***Reduced costs due to faster Settlement:*** This benefit is a duplication of the benefit highlighted in S5 ***Reduced costs due to less Change of Supply issues:*** This benefit is off-set by the additional time and effort spent on dealing with meter operators who have a direct contractual relationship with the customer. Some meter operators are better than others in helping to resolve queries and issues where they are contracted to the customer direct. We also have issues where meter operator contracts elapse and we are not notified **S5 Reduced Costs due to Faster Settlement** There will be some benefit due to faster settlement but as estimated in the analysis are relatively small and vastly outweighed by the additional costs incurred in achieving 99% by R1. **S6 Reduced HH Agent Services** We agree with the hypothesis that increased volume of HH sites should bring overall HH agent charges down. **S7 Reduced BSC SVA Specified Charge for HH Administration** Although individual HH suppliers may benefit from a reduction in the BSC SVA Specified charge overall the industry costs will not change and this just represents a reallocation of costs from one sector to another. If it could be demonstrated that overall administration costs to all parties will reduced then a benefit could be

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Respondent	Response	Comments
		claimed. **Distribution Benefits D1 – D5** We agree with the detailed assessment that highlight that there would be no benefit to distributors for benefits D1,D2,D3 and D5. We do not agree with the detailed assessment that states there would be a benefit of £282.2k per annum under benefit 4 (Faster resolution of metering errors) as there is a fundamental error in the calculation of the benefit. When the calculation is corrected the benefit actually turns into a cost. We do not agree with the hypothesis since faster resolution of metering errors should simply change the timing of the impact on the losses incentive, not the absolute overall value of the incentive itself.
EDF Energy (late response)	Yes	Without full and costly detailed impact assessment by every participant, the costs remain uncertain. Some components of our estimated costs are higher, and some lower, than those indicated in the cost-benefit analysis, but the overall cost seems a reasonable estimate. We think the main benefits of P272 ultimately rely on collective response by consumers to tariffs dependent on time-of-use. This requires significant changes in consumer behaviour, the scale of which are very uncertain at this stage. We recognize the difficulty in estimating such potential benefits, but consider the benefit analysis makes some over-simplifications and assumptions in this area that are difficult to justify. We think some of the economic benefits may be exaggerated or double-counted (for example savings in energy, balancing and imbalance), and others omitted (for example the potential economic benefit of market price changes and increased off-peak usage). The benefit analysis is valuable in introducing issues, but more work would be needed to demonstrate with confidence that the benefits would outweigh the costs. Overall, we place more weight on the cost estimates than the benefit estimates, and therefore think the costs are more likely to outweigh the benefits than vice versa.

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Question 6: Have the results of the cost-benefit analysis changed your views on whether P272 would better facilitate the Applicable BSC Objectives?

Summary

Yes	No	Neutral/No Comment
0	13	1

Responses

Respondent	Response	Rationale
TMA Data Management Ltd	No	P272 better facilitates Applicable BSC Objective C (promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting competition in the sale and purchase of electricity) as Suppliers will be better able to demand forecast with the higher quality of data in Settlement for sites currently within PC5 to 8, allowing them to offer better prices and more innovative products to their end consumers promoting competition. Competition already works better in HH with a more efficient COS process and more successful competitive activity amongst a larger number of Suppliers. P272 also supports objective D, (promoting efficiency in the implementation and administration of the balancing and settlement arrangements) in two ways. HH Settlement performance is very significantly more accurate, and therefore efficient, than NHH Settlement performance. The accuracy is not just an efficiency for HH customers and Suppliers, but it removes estimation and error from the NHH market, caused by profiling. Currently the domestic NHH market subsidises Settlement error caused by business users' profiles in PC 5-8 - and is paid for through a smeared GCF; and that arrangement is neither efficient nor equitable. In rejecting P280 OFGEM commented as follows: "Using an actual HH meter read in settlement can promote competition by increasing the accuracy of energy cost allocation between suppliers. This in turn can reduce barriers to entry and encourage the development of new products and services. " We agree with OFGEM's view and believe it supports the case for P272.
Electricity North West	No	Electricity North West has always supported the implementation of P272 proposed modification and

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Respondent	Response	Rationale
Limited		how it would better facilitate the applicable BSC objectives and our view has not changed.
SSE Energy Supply Ltd	No	No.
SSEPD	No	-
E.ON	No	Through our involvement in the PSRG process, we always expected that the costs to change things for this section of the market would be significant, and our stated position is that smart data requires a more fundamental review of settlements arrangements with improved access to consumption data.
Food and Drink Federation	-	-
ScottishPower	No	The cost-benefit results did not change our views because we do not believe that a perceived major barrier to change, DUoS charging, has been satisfactorily resolved. Furthermore while we recognise that some benefits will only be realised if certain 'trigger' points are attained it cannot be certain that these points will be attained and as such a lesser or no benefit will be accrued.
Western Power Distribution plc	No	See answer to question 5.
SmartestEnergy Ltd	No	The process of conducting a cost benefit analysis has, we feel, vindicated us in the view that decisions of this nature should be made on the basis of principles. There is too much of a temptation for parties to exaggerate their costs if they are not in favour of a proposal. Whilst it could be said that those who are in favour would understate their costs, this is less likely to be the case and at any rate, there is a floor (zero/minimal) below which you cannot go. This is not the case when presenting high costs and one party certainly was an outrageous outlier. Not only that, but the identity of the outlier was confidential, as were the reasons given. This meant that the workgroup could not scrutinise these claimed costs.
GDF SUEZ Marketing Limited	No	The range of costs and benefits in the analysis makes it difficult to draw the conclusion that P272 would be a disbenefit.
RWE npower	No	The cost-benefit analysis shows that the costs outweigh the benefits so at present this isn't a commercially viable option and until such time that the market reflects a net benefit for mandatory HH

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Respondent	Response	Rationale
		settlement we would still be of the opinion that P272 fails to better facilitate Applicable BSC Objective C
Consumer Focus	No	It has not altered our view that there are commercial barriers to HH settlement that may need to be tackled – but that they sit outside the BSC (i.e. there are genuine issues, but they are being tackled via the wrong route).
British Gas	No	Our own analysis of the costs and benefits draws us to the conclusion that P272 should not be approved.
EDF Energy (late response)	No	No. See response to question 5.

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Question 7: Do you believe P272 would impact on end consumers?

Summary

Yes	No	Neutral/No Comment
13	1	0

Responses

Respondent	Response	Rationale
TMA Data Management Ltd	Yes	End consumers in PC5 to 8 would be in better position to shop around for the best applicable Supplier deals, having HH Settlement data to provide and also be able to better manage their energy use. The Change of Supplier process works much better in the HH market and will also encourage end consumers to shop around and ensure that competition is used to its fullest capacity. For consumers HH is more transparent, the lack of transparency in NHH methodologies makes competition falter. The current higher level of competitive activity offered by smaller Suppliers in the HH market is likely to be increased by P272 and it is also likely to encourage new Supplier entrants, the current NHH arrangements are a barrier to market entry, the HH market is more attractive.
Electricity North West Limited	Yes	Electricity North West believe that P272 proposed or alternate modification currently would have an impact on end consumers in the PC5-7 market as the DUoS charges would slightly increase but end consumers on PC 8 would have reduced DUoS Charges, until the NHH/HH Working group develop the methodology. There are advantages for the end consumer as they will be able to change their usage and possibly reduce it around peak times.
SSE Energy Supply Ltd	Yes	With the rejection of P280 we believe the cost implications would disadvantage the majority of our Customers.
SSEPD	Yes	Without P280 these customers would be classed as profile class 00 and as such would be charged authorised capacity. This could lead to an increase in charges if Suppliers pass through the charge.
E.ON	Yes	Our views on the modification didn't rest on the costs and benefits alone. Customer choice was a very large factor in our consideration. Given the uncertainty on the costs and benefits captured, it is not clear that the case for mandating the move to mandated HH settlement has been satisfied. We are potentially

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Respondent	Response	Rationale
		exposing the customer to significant financial risk with uncertain reward, without being confident that the customer wants this or that they will be better off. We take the views of our customers very seriously. We established a Customer Council as part of root and branch review of how we engage with our customers – to put listening and acting in their interests first, and we have talked to a number of our customers about the impacts of this proposal on them specifically, and the response from our customers has been a resounding rejection of the mandating of HH settlement under the current design.
Food and Drink Federation	Yes	We note the comments on page 37 of the Draft Modification Report regarding interactions with the CRC. The impact on any customers who find themselves, in the future, in the CRC as a result of this modification would be large given the extensive CRC set up costs, Environment Agency fees and, by far the most important, the CRC carbon costs. There appears to be no evidence on what the impact of this modification on customers would be other than to note that there may be an impact! Further, noting that any such impact would not take effect until 2019 is not a reason to not fully consider any impacts at this stage. Before (and if) this modification is taken forward in its proposed form – or in the future if similar modifications are considered - there would need to be a full and extensive assessment of which companies would be affected and all the costs to them that could be incurred. These costs would need to be included in any cost benefit analysis. We would expect that such work would be conducted in close liaison with the DECC CRC team
ScottishPower	Yes	We agree with the workgroup assumption that the potential DUoS pricing differential could lead to increased charges to the end customer, thereby further damaging the industry's already fragile relationship with the wider economy. We also envisage that a substantial number of customers, especially those who have entered into bi-lateral agreements will have to re-negotiate their metering contracts with their agent or new agent, which may result in additional costs going forward.
Western Power	No	We do not believe there is any benefit to customers over the data they would have available to them

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Respondent	Response	Rationale
Distribution plc		through smart metering, the same data is currently available to them through their suppliers.
SmartestEnergy Ltd	Yes	There will be customers who can take advantage of load shifting and there will be those who cannot. Yes, P272 creates winners and losers. That is not a reason not to implement it. The reason it should be implemented is that it apportions costs more appropriately and creates the correct incentives. In terms of DUoS costs, we feel it is more appropriate to pay heed to the PSRG work which was conducted independently (and which indicated that there was not a massive effect in total on customers' DUoS bills), than the anecdotal and unsubstantiated claims of P272 workgroup members. And, as noted by one Panel member, the cost control mechanism would ensure that customers as a whole did not pay more money in DUoS. Also, as we have consistently stated, this modification should be implemented regardless of DUoS costs so that an incentive is created to make changes under other codes if that is necessary. It was always going to be difficult to implement simultaneous changes in different codes and we highlighted this in the original proposal.
GDF SUEZ Marketing Limited	Yes	Suppliers are obliged to ensure that AMR equipment capable of providing HH data is installed for PC5-8 MPANs by 2014. There is therefore no additional requirement for customers to install HH metering equipment. The impact of the change should be beneficial, as customers will be billed on more accurate data and be subject to less back-billing and reconciliation.
RWE npower	Yes	The Cost Benefit Analysis shows a net cost in mandating HH settlement for PC 5 – 8. This would ultimately feed through to some extent to those end consumers. The transition to HH settlement should be left to market forces and not be a mandatory requirement.
Consumer Focus	Yes	In the absence of activity to tackle the commercial barriers that are discouraging voluntary half-hourly settlement it is likely that P272 would increase the bills of consumers in Profile Classes 5-8. In the case of supplier agent charges, we would expect these to reduce over time because the increased size of the HH settled market should drive efficiencies in supplier agent services. However, the extent and timeliness of

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Respondent	Response	Rationale
		these reductions is unclear. In the case of distribution charges, cost reductions would be dependent on changes to charging methodologies being successfully progressed. As previously highlighted, reform work in these areas to date appears to have either stalled or been unsuccessful. There is a risk of significant, and negative, unintended consequences if these background cost issues were not addressed before mandatory HH settlement for PCs 5-8 were introduced. Although AMR provides more limited functionality than domestic smart metering will, it shares many of the same characteristics and may be perceived as 'smart metering'. AMR roll-out could therefore be seen as a partial 'dry-run' for domestic smart roll-out. If the former prompts a backlash because business consumers see their bills increase, it could make the latter that much harder to deliver. First impressions count! Away from costs, it is important to remember that HH settlement is neither necessary to ensure that AMR consumers have accurate bills if they are on a flat rate product, nor to facilitate change of supplier. So aside from costs we think the impacts on consumers are likely to depend on the availability and attractiveness of Time of Use (ToU) tariffs. Because ToU may allow more cost reflective products to be offered to consumers, it may be an attractive proposition for those whose consumption profile is predominantly off-peak. In theory, the current flat current consumption profiles are likely to result in cross-subsidies flowing from those who are low cost to serve (such as off-peak users) to those who are high cost to serve (on-peak users). Allowing off-peak users to benefit from the reduced costs they place on the system should cut their bills, while the bills of on-peak users may increase as this cross-subsidy is unwound. DECC's own impact assessment[1] suggests that in relation to ToU, 'Bill savings for some customers may be offset by bill increases for other customers as the cross subsidy unwinds'. As a result DECC's IA now lists ToU as an industry, rather than a consumer, benefit. Economic theory might suggest that although there would be winners or losers at individual level, that society as a whole should win because it would create better incentives to smooth demand – thereby reducing

[1] (p55) "Impact Assessment: smart meter rollout for the domestic sector (GB)", DECC, August 2011. http://tinyurl.com/crjdkoa

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Respondent	Response	Rationale
		the total overall level of network and generation investment that consumers need to fund through their bills. This outcome would be contingent on how cost savings were passed on to consumers though. Despite both Ofgem and DECC committing to carry out a distributional impact of ToU tariffs more than a year ago this has still not yet been done. This work should now be underway – we expect to see evidence of it the impending Regulatory Impact Assessment (RIA) of P272. Our research suggests that 38% of consumers on basic time of use tariffs are probably paying more for their electricity than they need to, as they do not fit their consumption profile or understand how to make best use of them[2]. Identifying and tackling the causes of this high failure rate will be necessary if benefits are to flow through to consumers. In order for suppliers to realise the cost savings (for example, through their hedged shape) to deliver lower off-peak rates they would need to settle based on something more sophisticated than the current profiles. But it may be this does not need to be as granular as half hourly data. For example, an "Economy 7" style simple ToU tariff would necessitate knowing which units were used on-peak and which off peak – but it does not necessitate knowing specifically which half hour is which within these sub-divisions for settlement purposes (e.g. a "halfway house" between current simple profile and full HH settlement might still allow both consumer and supplier to benefit from load shifting/off-peak use). Settlement may be less accurate than it could be if it does not move to full HH settlement, but there is a trade off to be made between the benefits of settlement accuracy and its costs. From a consumer perspective, the benefits would need to outweigh the costs in order for this additional settlement granularity to be justified. There are a range of wider issues including (and not limited to) the comparability of ToU tariffs & their compatibility with Ofgem's RMR proposals, and the degree of market penetration of 'smart' or demand side response products and their financial viability to PC5-8 consumers that will also influence the pattern of costs and benefits that consumers could see as a result of HH settlement.

[2] "From devotees to the disengaged: a summary of research into consumers engagement with Time of Use tariffs and Consumer Focus"s recommendations", Consumer Focus, October 2012. http://tinyurl.com/8vmx3ot

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Respondent	Response	Rationale
British Gas	Yes	**New Price Structures** The implementation of P272 will create winners and losers amongst the current profile class 5-8 community if suppliers introduce HH billing which truly reflects customers HH consumption profiles. Those businesses that are able to shift consumption may benefit from lower electricity bills however many customers may face higher bills as they may be unable to change consumption patterns. **Metering Arrangements** Metering arrangements in the HH market are more complex than in the NHH market. Many customers currently appoint there own meter operator which can cause operational issues when customers fail to renew their meter operator contracts. The current profile class 5-8 market is generally not used to procuring their own meter operator service and although these services could be provided by the supplier a whole suite of new contractual relationships will have to be introduced.
EDF Energy (late response)	Yes	Yes. There may be changes to billing processes; changes to meter details and agent contracts; potential tariff changes to reflect increased metering costs and changed DUoS costs; potential tariff changes dependent on time-of-use, reflecting pass through of energy settlement and/or DUoS/TNUoS changes to groups or individual consumers.

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Question 8: Do you have any further comments on P272?

Summary

Yes	No
9	5

Responses

Respondent	Response	Comments
TMA Data Management Ltd	Yes	The use of Advanced meter for consumers within PC5 to 8 is mandated, why mandated the installation of Advanced meters with HH capabilities if the Industry does not implement the required modifications to reap the full benefits of this mandate? It is accepted that to settle HH data is better than to settle with NHH data in terms of accuracy and speed of data availability. If the move to HH for PC5 to 8 is left as elective, there is less drive for the DUoS charging methodologies issues to be resolved. Meanwhile, customers are made to pay for advanced technologies but cannot reap their benefits because of inertia within the Industry. The changes might be costly for some due to built in inefficiencies. From the range of costs provided in P272 Cost Benefits Analysis responses, it is obvious that some Supplier's cost models are very efficient, the most efficient cost models should be used to calculate the real cost of P272 – after all the most efficient costs are available to any Supplier who wishes to avail themselves of such. We should aim to improve the Industry not use past failures or inefficiencies to define the future. We note that the Modification report identified a positive business case for P272, especially if the more cost efficient processes are utilised. We also note that the current mandate for HH Settlement, the 100Kw threshold, was set on an entirely arbitrary basis, there is no logical argument to support that level. Largely cost considerations informed that determination, but the costs of metering are now sunk and the costs of the most efficient processes are now very much lower than those available with 1980's technologies for communications and data management.
Electricity North West Limited	Yes	There is nothing to stop Suppliers moving PC 8 customers as there is a cost benefit exists because DUoS is not a constraint.

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Respondent	Response	Comments
SSE Energy Supply Ltd	Yes	We believe if P280 was reactivated, P272 could be successfully implemented in parallel. We also believe the proposed change from one to three decimal places affecting the DTC flows D0003, D0022, D0036 and D0275 should be included as part of this modification, and not as the Working Group elected, to be raised as a separate issue.
SSEPD	No	-
E.ON	Yes	We support Ofgem's call for a review of settlement for the future when customers do have better consumption information, when they are likely to be more engaged in using the consumption data in a variety of ways and are able to take advantage of improvements in the market from improved access and use of that data.
Food and Drink Federation	No	-
ScottishPower	No	-
Western Power Distribution plc	No	-
SmartestEnergy Ltd	Yes	We have always maintained that P272 should be progressed as a matter of principle; the licence obligation to have half hourly metering installed can only have been inserted on the assumption that customers would be able to realise the benefits of load shifting; this is not possible whilst they are not settled on half hourly data as suppliers would face a risk between the profiles on which they settle and the data on which they could, in theory, bill HH customers.
GDF SUEZ Marketing Limited	No	-
RWE npower	Yes	We accept that HH settlements would deliver certain benefits however at this current time it would not be viable option to mandate this. The additional data and accuracy is a valuable resource and should be fully utilised where commercially appropriate but not to the detriment of the industry or customers. We believe that as this proposition becomes a more beneficial option the transition from NHH to HH will naturally occur.
Consumer Focus	Yes	Noting that Ofgem can look more widely than the code objectives and the analysis of the working group when it comes to make its decisions, we would suggest it

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Respondent	Response	Comments
		considers the work of the Smart Demand Forum, organised by Sustainability First and bringing together Ofgem, DECC, industry and consumer groups when it comes to make its decision – it has put considerable work into looking at the implications of Time of Use tariff and smart data and could help to inform its RIA. This modification highlights the deficiencies in the code governance regime when it comes to assessing consumer impacts of modification proposals (i.e. that they are outside the scope of the code assessment processes). Postponing the assessment of consumer impacts until RIA stage reduces the level of scrutiny that they receive (i.e. they cannot be stress-tested by workgroups or Panels) and increases the likelihood of a "surprises" regulatory decision (i.e. because "swing factors" influencing the final decision may be ones that were never considered during the industry process). That isn't helpful for either industry or consumers. It remains entirely inappropriate that Ofgem chooses to cascade its secondary duties such as efficiency and economic network operation into code objectives while it refuses to cascade its primary duty to protect the consumer interest. Legislation is quite clear that competition is only a tool that can be used – where relevant – to protect consumers interests; competition (objective c) is not Ofgem's primary duty despite its persistent determination to interpret statute as making it such. Although neither Panel nor working group thought it relevant, there may be a reasonable argument that objective (e) (Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency) is pertinent to the assessment of this proposal. This is because the introduction of the EU 3rd package[3] could be considered to be a relevant legally binding decision and it includes provisions that relate to the granularity of metered data, eg Annex 1, 1(i) as it relates to Article 3: *"[consumers] are properly informed of actual electricity consumption and costs frequently enough to enable them to regulate their own electricity consumption. That information shall be given by using a sufficient time frame, which takes*

[3] "DIRECTIVE 2009/72/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC", Official Journal of the European Union, August 2009. http://tinyurl.com/yg7aecc

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Respondent	Response	Comments
		account of the capability of customer's metering equipment and the electricity product in question. Due account shall be taken of the cost-efficiency of such measures. No additional costs shall be charged to the consumer for that service" This may have relevance in two regards: Firstly, if the "product in question" is a dynamic ToU tariff and the "capability of customer's metering equipment" is half hourly then it may be necessary to settle as such in order "to enable [the consumer] to regulate their own electricity consumption". Secondly, if this provision is relevant, then the requirement that "no additional costs shall be charged to the consumer for that service" may preclude the implementation of half-hourly settlement if the costs of this (to the customer) would be higher than non-half-hourly settlement. Although P272 would only affect non-domestic metering points, it has started to articulate many of the arguments for and against HH settlement that are likely to emerge for domestic metering points in the coming years. The National Audit Office report[4] on smart metering rollout highlighted that low income consumers in particular may not be able to engage in the market in order to access the cheaper deals like ToU that smart may facilitate. This could result in the costs and benefits being unevenly distributed – we agree. Industry will likely look to Ofgem's P272 decision for signs of what they will need to tackle in any successor mod looking at Profile Classes 1-4. It would therefore be useful if its decision articulates the extent to which its views on the merits/demerits of HH settlement to SMEs also apply to domestic consumers.
British Gas	Yes	British Gas believes it is the wrong time to be mandating HH settlement for profile class 5-8 customers for the following reasons 1. Given the high level of uncertainty surrounding the P272 benefits we do not believe any commercial business would take the decision to incur the additional investment costs of implementing P272. 2. In the current economic climate businesses are particularly sensitive to any increase in costs. We believe that the mandatory introduction of HH settlement for this class of customer will increase

[4] "DECC preparations for the roll-out of smart meters", National Audit Office, June 2011. http://bit.ly/uVXXvM

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Respondent	Response	Comments
		costs for suppliers which will have to be passed on to the end consumer. We believe costs will be at the level suggested in the analysis using the weighted average method of £199.2m and it is fanciful to suggest benefits will even amount to £70.2m over the years to 2020. It is suppliers who will bear the costs of implementing P272 and without any party willing to underwrite the estimated benefits, suppliers should not be subject to the financial risk at this time. 3. Ofgem have asked Elexon to lead a project to review the current electricity settlement arrangements with a view to recommending reforms that would put in place arrangements fit to meet the needs of the market in 2020. We do not believe it would be cost effective to agree changes now for a sector of the market ahead of any decisions that need to be taken on the enduring settlement arrangements. 4. The proposed implementation dates for the proposal are April 2014 or April 2015 for the alternative. This is when we are expecting the DCC to go live for domestic smart meter customers. In due course the DCC may be able to handle data collection and data aggregation activities which may bring opportunities for cost savings which may enable the cost/benefit analysis for P272 to make economic sense. However until such time any costs incurred now in upgrading systems to handle the current profile class 5-8 population could be in effect thrown away as a more costs effective mechanism for settlement may be achieved. 5. Many of the suggested P272 benefits rely on suppliers offering customers Time of Use tariffs. The current level of peak electricity prices mean that full HH Time of Use tariffs are not required. Suppliers are able to offer limited Time Of Use products now, using the existing NHH arrangements which are fit for purpose and enable suppliers to offer costs reflective products and incentivise customers to switch load away from peak. In view of this P272 is not required at this time.
EDF Energy (late response)	Yes	Resource within EDF Energy's supply and supplier agent businesses are heavily committed to improving existing systems and processes including roll-out of

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Respondent	Response	Comments
		Advanced Meters, and to developing capability for Smart metering and multiple other regulatory requirements. Although in principle P272 seems a sensible industry development, in practice there are significant complexities and costs. Although we see potential for more time-of-use tariffs to provide consumer benefits in the long term, we note that there is very limited use of such tariffs at half-hourly resolution currently for existing half-hourly metered consumers, and little evidence of significant consumer response. The volume within Profile Classes 5-8 is relatively small (<20 TWh/year) compared with that in existing HH (>150 TWh/year) and that within Profile Classes 1-4 (>150 TWh/year). Although it might be thought that larger consumers would respond more to time-of-use prices, the collective response of large numbers of small consumers might actually be more effective. Response by large numbers of small consumers must be one of the justifications for the cost of smart metering, and we think effort would be better expended by targeting those consumers willing to respond, from all classes.

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