

Report Phase Consultation Responses

P347 'Reduction in R1 Read Requirement for HH Sites'

This Report Phase Consultation was issued on 11 November 2016, with responses invited by 30 November 2016.



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
Utilita	1/0	Supplier
TMA	0/1	HHDC, HHDA, NHHDC and NHHDA
SSE	1/0	Supplier
OVO	1/0	Supplier
Npower	1/0	Supplier
Stark	0/1	NHH & HH DCDA
Western Power Distribution	4/0	Distributor
Scottish Power	1/1	Supplier, HHDC, HHDA
British Gas	1/0	Supplier

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Question 1: Do you agree with the Panel's initial majority recommendation that P347 should not be Approved?

Summary

Yes	No	Neutral/No Comment	Other
4	5		

Responses

Respondent	Response	Rationale
Utilita	No	<p>We believe that P347 does better facilitate BSC Objective d) Promoting efficiency in the implementation of the balancing and settlement arrangements.</p> <p>The Panel noted "that there is no penalty for Suppliers who fail to achieve 99% at R1 and the Error and Failure Resolution (EFR) process is at the discretion of PAB". We therefore question the merits in obligating suppliers to meet a target which, in our experience is not achievable in the short or medium term. Holding this standard will require monitoring by Elexon, at cost; monitoring by PAB, at cost and ultimately the use of Error and Failure Resolution PAF Technique, at cost. I fail to see how changing this performance standard does not better facilitate BSC Objective d).</p> <p>By rejecting this Mod, suppliers are being encouraged not to explore elective HH Settlement. Although there are potentially minor benefits in the immediate accuracy of settlement by forcing Suppliers to only settle meters HH with very high communications performance the industry is being encouraged not to explore, innovate and practice with HH Settlement ahead of the inevitable mandating of HH settlement. We believe this may reduce the benefits to consumers in favour of not being in breach of the BSC.</p> <p>There are a number of tricky issues facing suppliers, as set out in Ofgem's consultation on mandatory HH Settlement, including the challenges around the profiling and estimating of smart customers with no comms. These issues could be explored as part of the elective HH settlement transitional phase but this Mod disincentives suppliers to do that.</p>

Respondent	Response	Rationale
TMA	Yes	We fully support and agree with the Panel's initial recommendation that P347 should not be approved. P347 in no way better facilitates any of the Applicable BSC objectives.
SSE	No	<p>We remain of the view that P347 better facilitates Applicable BSC Objective (c). The more attractive the Elective HHS market is for Suppliers then the more opportunity there is to progress and consider smart tariffs. These smart tariffs may open the market to more innovative customer offerings and act as a valuable stepping stone towards the market realising the cost benefits of smart technology.</p> <p>As noted in our response to the Assessment Consultation, we do not see the reduction of the in R1 Performance Level to 90% as a significant barrier to participating in the Elective HHS market. Broader commercial decisions are more relevant. We note, however, that a majority of Suppliers did view this modification as supporting the attractiveness of Elective HHS market (Assessment Consultation, 4 in support, 1 neutral, 3 against). We also recognise that whilst we are unlikely to incur charges if the 99% compliance is not met, the rules still seek a 99% performance.</p> <p>We understand that consumer representatives have raised concerns that this modification may negatively impact customer billing. SSE is committed to providing a high level of customer service and billing accuracy. Billing and settlements are separate. There are commercial (and regulatory, via licence conditions) incentives to issue accurate statements to customers; we do not see the BSC as being part of this picture. From a Settlements perspective, we would expect the accuracy of settlements to be improved if more sites enter the Elective HHS arrangements (even if R1 is at 90%) than if they remain in NHH arrangements.</p> <p>In summary, we believe there is a will in the industry to reduce the R1 performance to 90%. We do not believe it would negatively impact Settlements or customers. We do believe it would make the Elective HHS market more attractive and therefore we support this modification because we believe it better facilitated BSC Applicable Objective (c).</p>
OVO	No	<ul style="list-style-type: none"> There are a number of barriers facing suppliers who wish to electively half hourly settle

Respondent	Response	Rationale
		<p>smaller sites.</p> <ul style="list-style-type: none"> The read performance of SMSO operated or DCC enrolled smart meters which would be settled under Measurement Classes F & G is uncertain. The default read performance target for these sites is the same as that for Measurement Classes C & E (99% at R1 and every settlement run thereafter) From the notes on the Panel's initial discussions in the Report Phase Consultation document there are clearly differing opinions between suppliers with sizeable smart meter portfolios on how achievable the 99% target is. P347 originated from Ofgem's work to identify and remove the barriers to elective HH settlement for smaller sites. Given the uncertainty around achievable smart meter read performance and in the interests of encouraging the uptake of elective HHS we support P347. A 90% target will prevent suppliers or their agents from doing site investigations at sites where there may just be an intermittent communications issue which will resolve itself. We recognise that a 90% target at R1 is somewhat arbitrary but in the absence of any analysis being put forward it seems a sensible level to encourage HHS uptake without being detrimental to settlement. It is also important to note here that the customers to whom this target would apply would previously have been NHH customers with much lower performance targets with the same metering system. The domestic elective HH market is a new market not entirely akin to the traditional HH market. It is therefore unclear how difficult it will be for suppliers to attain 99% read performance at R1 from an operations perspective.
Npower	No	The intention of P347 is to remove a barrier to Elective Half Hourly Settlement (EHHS) identified through Ofgem consultation. The barrier being that some suppliers felt the high settlement performance target (99% at R1) would be unachievable for

Respondent	Response	Rationale
		<p>domestic properties due to the volume of sites.</p> <p>We believe barriers should be removed and the industry should help increase uptake of EHHS to allow data to be obtained and lessons learned prior to a move to Mandatory Half Hourly Settlement (MHHS). This will also help Ofgem determine when to move to MHHS. Within the P347 workgroup some supplier members have stated that although it is not the only barrier, the current settlement performance requirement would go some way to deterring suppliers from taking up EHHS.</p> <p>Npower notes and understands Elexon concern about reducing settlement performance and agree that the barrier is perceived, however it is still a barrier nevertheless. Suppliers have systems and processes aimed to meet 99% at R1 and we believe suppliers would continue to endeavour to meet this requirement as it is in their interest to do so both for commercial reasons with agents and customer satisfaction reasons by using more accurate data.</p>
Stark	Yes	<p>There is more evidence to support improving standards than there is to reducing them. The full consumer and supplier benefits of Half Hourly Settlement (HHS) can only be realised through a commitment to the highest quality data, delivered as close to consumption as possible. A reduction in performance to 90% @ R1 would mean the industry falls short of this. It is our opinion that the performance requirements for E, F & G should match those in C (99% @ SF) if these benefits are to be achieved.</p> <p>Furthermore, we don't believe the current performance standards are a barrier to Elective Half Hourly Settlement (EHHS), especially when Supplier Charges for these Measurement Classes are only applied at RF, as in NHH, and EFR is discretionary. This essentially means there is very little risk for a supplier to utilise EHHS, whilst the improvements to settlement are great</p>
Western Power Distribution	Yes	<p>We have no principle objection to this modification and can see merits for and against. However, if the panel's initial majority recommendation is that P347 should not be approved we would support their recommendation. If experience shows that a target of 99% is not achievable a similar evidence based modification can be brought back for consideration.</p>

Respondent	Response	Rationale
Scottish Power	No	<p>ScottishPower believe that Applicable Objective (c) is better facilitated; as the removal of this barrier to HHS would promote competition through innovative products e.g. ToU tariffs, to take advantage of more accurate costs and charging.</p> <p>There is a significant pressure on Suppliers and their agents to achieve the 99% performance measure for MC F and G sites, whereas the materiality of those sites in MC F and G do not always justify the costs involved, and do present a barrier to elective HHS.</p> <p>The P272 Programme has presented a number of new challenges facing the market, which have been documented and discussed at length by the industry. However, after a considerable period and a number of industry-wide debates, there are not clear resolution paths for all exceptions that is involved in the process.</p> <p>As the Smart rollout continues, the existing issues will likely become more apparent, with larger volumes impacted, as well as the potential for new issues to arise, adding to the complexity of a large-scale implementation of a core industry change. A reduction of the performance target at R1 only will allow time for Parties to deal with issues in a cost-effective manner, whilst not presenting a significant increase in material risk to the accuracy of cost allocation between Parties.</p> <p>The benefits of HHS could potentially be delayed by Parties concerned with the additional costs associated with short timescales resolutions that are not as stringent in NHH. This modification would allow for Parties to move to HHS earlier, providing greater benefits to the end consumer through cost effective product solutions.</p>
British Gas	Yes	<p>We agree with the Panel's recommendation that P347 should not be approved. As stated in our Assessment consultation response this modification is not required to remove any barriers to Elective HH Settlement. There is not a penalty charge for Suppliers if they do not meet the 99% performance target at R1 today. This modification will only introduce a temporary reduction in the target to reduce the risk for Suppliers entering EFR.</p>

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P347?

Summary

Yes	No	Neutral/No Comment	Other
9			

Responses

Respondent	Response	Rationale
Utilita	Yes	
TMA	Yes	
SSE	Yes	
OVO	Yes	
Npower	Yes	
Stark	Yes	The redlined text delivers the intention of the proposed P347 solution by limiting the reduction to MCs F and G.
Western Power Distribution	Yes	
Scottish Power	Yes	
British Gas	Yes	

Question 3: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
8	1		

Responses

Respondent	Response	Rationale
Utilita	Yes	
TMA	No	We do not support P347
SSE	Yes	We are supportive of a recommended Implementation Date of April or June 2017 and the related trigger point date concerning an Authority decision.
OVO	Yes	
Npower	Yes	
Stark	Yes	Whilst we believe the modification should be rejected, if it were to be approved we would support the proposed implementation dates.
Western Power Distribution	Yes	
Scottish Power	Yes	
British Gas	Yes	

Question 4: Do you agree with the Panel's initial view that P347 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
8	1		

Responses

Respondent	Response	Rationale
Utilita	Yes	
TMA	Yes	
SSE	No	We understand that the Self-Governance route is the 'default' unless the modification is likely to have a material impact on a number of the relevant criteria. We are unclear what the material impact would be. In our view this modification acts, as many others do (e.g. P339) as an enabler, as something that is contributing to an overall objective but in isolation does not have a material impact on existing arrangements.
OVO	Yes	
Npower	Yes	
Stark	Yes	We believe that the proposed modification would have a material effect on both existing and future consumers because it justifies a lower commitment to resolving meter faults and encourages more estimation than necessary. This would lead to poor consumer experience and undermines the benefits Ofgem envisages for consumers through EHHS. For these reasons we agree that the modification should not progress as Self-Governance.
Western Power Distribution	Yes	
Scottish Power	Yes	This does not qualify as a self-governance modification
British Gas	Yes	

Question 5: Do you have any further comments on P347?

Summary

Yes	No
4	5

Responses

Respondent	Response	Rationale
Utilita	No	
TMA	Yes	P347 is not in the interests of consumers or the Industry. We fully oppose P347 and its attempt at lowering performance standards. It is in direct opposition with applicable Objectives C and D.
SSE	No	
OVO	Yes	<p>The high level purpose of p347 is to make it as easy as possible for the greatest number of suppliers to introduce elective half hourly settlement (HHS). A temporary relaxation of the rules around read performance, reduces the risk that a supplier (whether Big or small) will find the threshold for read accuracy prohibitive and choose not to attempt to settle a portion of their customers via elective HHS.</p> <p>OVO therefore supports this modification on the grounds that it will increase competition by making it easier for a larger number of suppliers electively HHS their customers.</p>
Npower	Yes	<p>The Panel questioned the 90% figure and cited two suppliers as an example of why settlement performance was a barrier. 90% may be an arbitrary number at the moment but there is not enough data in the market to make an informed decision around what the number should be. If the uptake of EHHS is not effectively encouraged then the data needed to make the performance target less arbitrary will not become available.</p> <p>The Panel also questioned why Smart meters would be harder to read than current remote meters and the answer is they shouldn't. But as the DCC has only recently gone live it will take time for processes to bed in. Also the volume of sites that would fall under measurement class F is huge compared to the current HH market. This means that even a lower percentage of faults within the domestic</p>

Respondent	Response	Rationale
		<p>sector would require a significantly greater amount of site visits than is needed in today's HH market.</p> <p>In summary npower believes that P347 is necessary to encourage the uptake of EHHS and stress Suppliers are not saying that they want to aim for 90% but that it will be difficult to achieve the current 99% at R1 requirement.</p>
Stark	No	
Western Power Distribution	No	
Scottish Power	No	
British Gas	Yes	<p>We believe that the 99% can be achieved as Suppliers have the opportunity to test their metering equipment before completing a CoMC to HH. The Supplier and their Agents can test the capability of the meter and whether it would meet the required standards to be settled as HH. If it does then a change to HH will be successful and the 99% Settlement Performance requirement from the CoMC date should be achieved. If the Supplier finds that the Metering equipment does not provide HH data successfully then they have the opportunity and the time to resolve the issue and complete the CoMC at a later date as there is not an obligation to Settle as HH.</p>