

PROFILING & SETTLEMENT REVIEW: APRIL 2014 CONSULTATION RESPONSES ON REDUCING SETTLEMENT TIMESCALES

OVERVIEW

Nine responses were received to the Reducing Settlement Timescales [consultation](#) issued on 15 April 2014 (as of 12 May 2014).

Responses were received from:

No.	Company Name	Confidential	Role of Parties/non-Parties represented
1.	E.ON	No	Supplier, HH DC, NHH DC, MOP
2.	Scottish Power	No	Supplier, NHHDA, NHHDC
3.	Power Data Associates Ltd	No	Meter Administrator
4.	SSE Energy Supply Ltd	No	Supplier, Party Agent
5.	Smartest Energy Limited	No	Supplier
6.	British Gas	No	Supplier
7.	TMA Data Management Ltd	No	HHDC, HHDA, NHHDC and NHHDA
8.	First Utility Limited	No	Supplier
9.	RWE npower	Part Confidential	Supplier & Supplier Agents (NHH & HH)

SUMMARY

The Profiling and Settlement Review Group (PSRG) was set up by the Supplier Volume Allocation Group (SVG) to review how profiling and Settlement processes could be modified to account for the developments in the use of advanced and smart meters in the Non Half Hourly (NHH) market in the short term (0-5 years) and medium term (5-10 years).

The PSRG has considered matters relating to the profiling and Settlement processes, mandatory Half Hourly (HH) Settlement for Profile Classes (PCs) 5-8¹ and separately PCs 1-4. A number of changes have been put in place as a result of this work, e.g. shorter settlement profiles production process, raising of [Modification P272](#) and

¹ Profile Classes 5 to 8 comprise the larger commercial customers and some smaller industrial customers. Profile Classes 1 to 4 comprise the domestic and smaller commercial customers.

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addressing barriers in HH Distribution Use of System (DUoS) charges ([DCP 179](#)). Ofgem is looking at the long term changes to Settlement as part of its Smarter Markets Programme².

This project has been set up by the SVG to look at the possibilities to reduce Settlement timescales in light of the smart meter roll-out which will facilitate more timely and accurate meter reading data for Settlement. The project will deliver a report to the BSC Panel setting out recommendations that will define the optimum timescales for future Settlement, together with their implementation and transition approaches. This project will therefore have an interaction with Ofgem's Smarter Markets work on settlement reform which is longer term and assumes that (nearly) all consumers have smart meters.

The purpose of this consultation was to identify the key drivers for the initial and final Settlement timescales, and the appropriate number of intermediate reconciliation runs.

RESPONSES

Question 1. Do you agree with the key drivers for initial Settlement identified by the PSRG (include any others not identified)?

Please provide rationale and any additional comments.

E.ON	<p>Yes, we agree with the key drivers set out in the document and have set out our rationale under the appropriate headings below.</p> <p>Financial Settlement</p> <p>In terms of financial settlement, we do not believe that there would be benefit to suppliers in reducing the SF and we would not want to bring financial settlement forward from the current 29 days.</p> <p>If there was an expectation that with an earlier SF run there would be earlier settlement we would not be in favour of this as an option. This is due to the cash flow implications, as pointed out in the document the 29 days credit was to allow suppliers to get some money in from customers in order to pay generators; if the 29 days is reduced suppliers will be getting less money in before they have to make payment.</p> <p>Suppliers' cash position at year end would also be impacted, possibly affecting their credit rating and there is a significant cost of capital associated with worsening credit terms.</p> <p>Credit Cover</p> <p>Benefit in the form of reduced credit cover is not a given. More credit cover would be required on a daily basis if moving SF forward meant that data was less accurate. While Smart metering</p>
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² More information on the Smarter Markets Programme is available on [Ofgem's website](#).

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	<p>will improve accuracy, the current intention is that Smart meters in PC 1-4 are read monthly rather than HH. Although HH may be an ultimate goal, it may be quite a way off due to the data protection policy around HH reading. Also the charge for DCC collection of reads has not yet been published and the fixed costs that have been published are higher than initially anticipated.</p> <p>The optimal point between accuracy and credit cover reduction would have to be calculated.</p> <p>Forecasting Benefits</p> <p>Again we are cautious not to overstate the benefits to forecasting. While the improvements to accuracy will help, the frequency of accurate data is also key and there is no guarantee that Smart will deliver HH data for all PC1-4, especially with the current rules around data protection.</p> <p>There would be a benefit derived from earlier access to the data even if it was profiled data , more recent data would reduce the standard error of a time series model, although having the SMART reads reliably might provide almost as much benefit, so there would still be no need to bring SF forward.</p> <p>Impacts of Smart/AMR meter data</p> <p>We agree that Smart roll out and AMR will improve the accuracy and frequency of meter reads, however the level of impact at SF may not be as great as expected. There is no firm view of Smart read cycles for PC's 1-4 and even if they were all read and settled monthly this would obviously not achieve the accuracy level of the current HH market. Should all meters be read HH we still do not expect PC's 1-4 to achieve the same level of accuracy as PC's 5-8, as any manual reads required will be harder to get due to properties being empty during the day (where as business are open) and also as many will be residential properties that are in hard to reach areas as opposed to business properties which generally need to be closer to transport networks and amenities.</p> <p>We believe that the benefits in reducing the settlement timescales for NHH may not be substantive, but that options to improve HH settlements to encourage more Smart meters to be settled HH would provide benefit and are worth exploring.</p>
ScottishPower	Yes
Power Data Associates Ltd	<p>The consultation document is understandably focused on the metered activity. We provide HH UMS data which accounts for about 0.5% of the total settlement volume. We have consistently provided that data on D+1. Moving the SF run earlier should not have a significant impact on our role. Although we provide an initial version of the HH data, the increasing use of CMS is meaning that for those customers the data changes over the following few days. The level of change after a week is generally small, except where there have been technical problems. Even if we suffered a catastrophic failure we should be operational prior to an earlier SF.</p> <p>We are aware many suppliers bill their customers on the first day of the month, so the quality</p>

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	of data at D+1 must be sufficient for them. Although there may be a reconciliation included in the following months bill where there are changes over a materiality threshold
SSE Energy Supply Ltd	We are largely in agreement with those key drivers PSRG have identified.
SmartestEnergy Limited	By far and away the most important driver (i.e. causer of change) is whether the data is available in sufficient numbers. Other things (such as improved credit) are desirable consequences.
British Gas	We agree with the key drivers identified for initial settlement identified by the PSRG
TMA Data Management Ltd	Yes, namely the Credit Cover, financial settlement, Generator/Supplier meter data, forecasting benefits and impact of Smart and AMR meter data.
First Utility Limited	<p>First Utility believes that the assumptions regarding the timeliness and accuracy of smart meter data should be considered in this review: the review should not assume that once a smart meter has been installed that accurate and timely data will follow in all cases. Many of the issues affecting the industry will still exist post smart roll-out and some new issues will likely materialise. These issues will take time to resolve, sometimes requiring site visits, for example crossed meters in flats where meters have been associated with the wrong property. It is therefore important that this consultation not only considers the timing of the smart meter roll-out programme, but also the issues that might arise as a result of the roll-out.</p> <p>First Utility sees an additional driver regarding the time needed to resolve industry data issues on Change of Supply (COS) gain. Today, very little Estimated Annual Consumption (EAC) information is available for the Interim Information run (II), however this information has usually come through in time for Initial Settlement (SF). Bringing SF forward will allow Suppliers very little time to resolve issues in advance of SF and therefore exposes Suppliers to less predictable cash-flow forecasting.</p> <p>In terms of credit cover benefits, First Utility agrees with the principles set out, however they do not consider the fact that bringing dates forward will increase the risk of incorrect allocations which can lead to credit cover issues.</p>
RWE npower	<p>Yes. npower agrees with the key drivers noted in the consultation document. However, we believe that the accuracy of the Interim Information (II) Run has improved and data can now be used for certain activities since the introduction of Modification P253.</p> <p>The meter read cycles for smart meters and therefore the availability, quality and timeliness of reads from smart meters is fundamental to any changes made to settlement timescales.</p>

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Question 2. What should be considered when reducing Initial Settlement?

Please provide rationale and any additional comments.

E.ON	<p>As set out above, we do not believe that SF should be altered. Moving it forward may reduce the accuracy for the current HH market and we do not expect the existing NHH market to meet the same levels of accuracy even if they did eventually go HH. We believe that the biggest benefit in reducing settlement timescales is on the improvement in imbalance post SF.</p> <p>We think that cash flow impact should be a major factor as well as accuracy of meter reads when considering reducing initial settlement.</p>
ScottishPower	<p>The progress of the SMART rollout has to be considered when reducing Initial Settlement and whether it will adversely impact consumers (and their Suppliers) who remain on traditional NHH (dumb) meters. The projected progress within the consultation suggests that half of the SMART will be complete by 2018 which means that at that time around 10 million consumers will still have Dumb meters. This is a sizeable portion of the NHH Market and the industry has to make sure that no market sector is unduly impacted as a result of changes to the Settlement timescales.</p>
Power Data Associates Ltd	<p>The level of settlement accuracy</p>
SSE Energy Supply Ltd	<p>We agree with the issues that has been identified in the report, however, we believe the frequency of meter readings is crucial in ensuring accuracy prior to reductions in Initial Settlement taking place.</p>
SmartestEnergy Limited	<p>The fact that the amount of credit required will reduce should be an important consideration so long as the amount of actual data does not significantly reduce.</p> <p>If bringing SF forward to such an extent, it may be possible to dispense with/combine with the II run. This would deliver some savings.</p>
British Gas	<p>We agree with the considerations identified in the consultation. Before reducing Initial Settlement there should be a full cost versus benefits exercise carried out. At this stage we remain to be convinced that there are material financial benefits in bringing forward initial settlement.</p>
TMA Data Management Ltd	<p>The availability of actual data is the main driver to be considered when reducing Initial Settlement as it impacts all the other aspects. If the timescales are reduced beyond the point where Industry Participants can provide a high enough percentage of validated actual data, the benefits of reducing the settlement timescales are lost as the data provided cannot form a sound basis for forecasting or financial settlement. The balance will be a delicate one to strike and will also be evolving with the increasing numbers of smart/AMR metering installed. However it should still provide an incentive to all involved to maximise the use of the technology available as well as cash in on the performance improvements achieved in the past 10 years.</p>

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<p>First Utility Limited</p>	<p>First Utility wishes to raise some additional considerations as follows:</p> <p>The most significant impact on supply businesses is likely to be the impact on cash-flow. The key cash affecting date is SF, bringing SF forward will adversely impact cash-flow and working capital requirements causing market entry for potential new Suppliers to be more costly and therefore more risky. Further, moving SF will have a greater impact (in terms of incorrect allocation) on Suppliers that are experiencing significant growth as opposed to Suppliers that are experiencing less but more stable growth.</p> <p>We see these changes therefore as limiting market entry of new Suppliers and penalising Suppliers that are experiencing significant growth. First Utility recommends leaving the SF run timescales as they are today.</p>
<p>RWE npower</p>	<p>When considering reducing the Initial Settlement timescales, the availability of more accurate or actual data is a matter of significance. Forecasting benefits would only be realised if data that is received sooner is of sufficient quality. We would welcome further views on whether the industry in general has seen more accurate forecasting with the roll-out of AMR meters. Consideration should also be given to learning and insight that the industry will gain through the smart meter roll-out.</p> <p>The timescales associated to the change of supply process and developments in this area could also form a link to any reduction in settlement timescales. With the absence of certainty of issues that will be encountered during mass smart meter roll-out, it may be helpful to consider exceptions of a similar nature that require resolution within current arrangements. For example, in the event that a remote meter reading cannot be obtained, what are the typical industry resolution timescales for attending site and obtaining a hand held read?</p> <p>Ofgem’s work towards universal half hourly settlement also requires consideration. Any reduction or changes to settlement timescales ahead of the potential implementation of universal half hourly settlement would require development of industry and industry party systems and processes with associated costs. There is a possibility that this could be an interim solution and that further changes will then be required if universal half hourly settlement is introduced, at a further cost to the industry and consumers.</p>

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Question 3. What causes/reasons, from your experience, make up the 'harder to read' and or 'hard to access' sites which affect Settlement performance and what challenges do you believe that there will be in fitting a smart meter at such sites?

Please provide rationale and any additional comments.

E.ON	<p>Operational issues prevent installation of many meters (asbestos, customer installations wiring, cut out issues etc.) and we also see customer acceptance (no obligation for customers to accept a meter) being a potential obstacle to installation, even though there will be significant support, information and communications to customers to aid the transition.</p> <p>Although communication providers are tasked with providing 99.5 and 99.25% for Arqiva and Telefonica areas respectively by end of roll out, we believe that the number of properties not fitted with a Smart meter due to the issues above may be between 1.5 and 3%. If so this would make a target equivalent to the current HH target unachievable.</p> <p>We do not perceive intermittent communication issues being a problem due to the stringent service levels imposed on the DCC.</p>
ScottishPower	<p>Sites can be harder to access for a variety of reasons: Geographically remote locations are traditionally difficult to gain access to along with areas where there are high incidences of holiday/second homes which are not a primary residence. Urban areas with high employment rates can mean homes are empty during normal working hours which results in reduced windows of opportunity for the sites to be accessed for meter reads. In addition, in areas with high levels of energy-debt and fuel poverty, consumers have been known to refuse access. Some SME sites, whilst 'populated' during normal working hours, can require special access to plant rooms which house meters and this might not always be available. In addition unmanned sites can have restricted access due to H&S reasons (e.g. Railway points heaters) and these can be more difficult to arrange access between Data Retrievers, Suppliers and Consumers.</p> <p>Sites which are harder to read can include sites where renovations at the premise have blocked the meter or the meter has historically been placed at location within the premise which makes it difficult for the meter reader to view the register display. Another issue is where the meter on site was installed as an AMR however due to issues regarding NHH interoperability and commercial contracts, the meter has to be read visually. Past experience has shown that when meters such as this are read visually, the reads and registers displayed bear no correlation to the remotely read meters. This can impact on Settlement performance, particularly when it comes to Large EAC/AA issues resulting from the CoS process.</p> <p>The same issues that make sites harder to access/read will affect how easy it is for Suppliers to install SMART meters, meaning that the remaining NHH Dumb meters could have proportionally higher negative impact on NHH performance. In addition the requirement for Gas SMART meters to communicate with the Comms Hub linked to the Electricity SMART meter could present significant issues with regard to synchronising Gas & Elec meter installs and the age of buildings (wall thickness, material etc.) preventing comms between Gas & Elec meters.</p>

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Power Data Associates Ltd	n/c
SSE Energy Supply Ltd	The majority of 'hard to read' sites that impact settlement performance include Mast sites e.g. mobile phone, Water sites e.g. reservoirs, sewage, and banks. The AMR rollout highlights the considerable amount of upfront work to organise access, address security issues and meet the training requirements for meter installation. Furthermore, communication issues in remote or very enclosed spaces, such as cellars, only become apparent once on site. Once one progresses to consider less overarching challenges, such as complex metering, the solutions to address 'harder to read' or 'harder to access' become more specific.
SmartestEnergy Limited	<p>The main reason is poor comms due to lack of signal; if you install smart metering it does not address issues surrounding signal strength. Customers will be reluctant to pay for landline or internet comms. Lack of signal can also be caused by poor positioning, obstructions etc. Remote sites will also be have the additional issue of physical access to install/maintain meters.</p> <p>Also, whilst not strictly speaking a "hard to access issue" there is also the matter of inter-operability between different asset providers.</p> <p>However, it is not just a matter of harder to read/access sites which could cause initial problems with the performance of sites which have moved from NHH to smart metering. There could still be historic EAC problems which prevent actual data being processed.</p>
British Gas	<p>In our experience harder to read sites are made up of:</p> <ul style="list-style-type: none"> • Difficult meter locations such as basements and difficult to reach landscapes • Remote locations such as isolated islands where signal problems can be encountered • Secure sites such as banks and MOD sites • Customers who refuse to have a smart meter installed • Multi occupancy dwellings and tall buildings • Unmanned remote sites or where keys are held by separate entities
TMA Data Management Ltd	No Comment.
First Utility Limited	<p>Those sites that sit in the 'harder to read' and/or 'hard to access' categories can be broadly captured due to the following reasons, they are recognised contractually as 'valid no access':</p> <ul style="list-style-type: none"> • Access refused • Address not found • Premises demolished • Premises empty • Meter removed • Meter permanently blocked • Meter not found

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	<p>The challenges of fitting a smart meter are mostly access to meter location and can be captured broadly by the following:</p> <ul style="list-style-type: none"> ● Height of meter ● Locked communal / group meter positions where Landlord holds the key ● Flooded cellars ● Kitchen built around meter point ● No access to DNO fuse ● DNO fuse non operable - requires DNO intervention ● Unoccupied properties. ● Damaged meter boxes or meter boards
RWE npower	<p>The main root causes as to why a site is hard to access is usually either the data surrounding the meters location in the case of remotely located sites where the metering equipment may not be contained within a building. The second is where the metering equipment is located within a multi occupied site such as a block of flats or a retail park. Both of these examples can be resolved however, they may require multiple attempts to obtain a reading.</p> <p>Opening hours of sites may also influence the success of obtaining a meter reading although these sites are easily found the access maybe restricted during the agents core hours. Other hard to access sites are where there are security or health and safety measures in place and the Data retriever requires the correct training or level of permissions to access the site.</p> <p>There might be potential issues when fitting a SMART meter to multi-dwelling properties dependant on the meter location and obtaining individual customer permission to install a SMART meter. It might be worth focusing on the infrastructure that is currently available to the industry. There might be issues around the communications between the smart meter and the Wireless Area Network where the meter is located outside of the Network. This will have impacts on settlements, as polled readings would not be available.</p> <p>In summary, there may be some unique situations where the site is hard to access and this in turn will have impacts on both settlements and the installation of SMART Metering equipment.</p>

Question 4. Do you agree with the key drivers for Final Settlement identified by the PSRG?

Please provide rationale and any additional comments.

E.ON	Yes. We agree with the key drivers identified by the PSRG.
ScottishPower	Yes

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Power Data Associates Ltd	Each year about 6% of our customers are subject to a recalculation which goes back the full settlement window. This occurs because the customer or the DNO identify an error with the UMS inventory and to ensure accuracy in settlement, and to allow for correct customer billing, it is agreed to recalculate the HH data. In the current settlement timescales, in practice, this is limited to about a year. If the final settlement run was brought forward then this opportunity would be lost. It is unclear how corrections to settlements and customer billing could be accommodated under a reduced RF timescale.
SSE Energy Supply Ltd	Yes.
SmartestEnergy Limited	<p>Percentage of actual is clearly the most important aspect, but also whether sufficient time has elapsed for the majority of post RF disputes to be avoided.</p> <p>The document states that “the PSRG felt that having a process of Settlement taking 28 months would not be appropriate in a smart metered world” and talks further of the “increased scrutiny on the electricity market” and the “increased focus on inefficient processes.” However, it should be noted that a long-dated RF would not prevent customers who have accurate actual data from settling with their suppliers at an earlier date. It is a matter of choosing an RF date by which the vast majority of potential problems/disputes will have been ironed out.</p>
British Gas	<p>We agree with the key drivers for Final Settlement identified by the PSRG</p> <p>The key driver is ensuring that enough time is allowed for all meters to be read at least once and for any potential errors to be identified and corrected before Final Settlement</p>
TMA Data Management Ltd	Yes, namely Purchase versus sales, Accuracy versus timeliness, process/resource savings, reconciliations versus disputes, impact of Smart/AMR meter data and performance.
First Utility Limited	First Utility is in broad agreement with the key drivers identified.
RWE npower	Yes, we agree with the key drivers that are listed in the consultation document. However, we believe that it is more appropriate to examine performance targets once the uncertainties around smart metering roll-out are removed.

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Question 5. What are the key/ most important factors that should be considered when setting the timescale for Final Settlement and at what point do you believe it should occur?

Please provide rationale and any additional comments.

E.ON	<p>We agree that there has to be a balance between accuracy and disputes when deciding the timescales for bringing SF forwards. Smart roll out must provide the roadmap for an increase in data accuracy, however, we believe that during the early roll out there may be a decrease in accuracy as issues are found and fixed with the Smart technology, therefore the appropriate time may be towards the end of roll out to ensure a smooth transition.</p> <p>We see DC benefits in reducing Final Settlement to at least 12 months, this is because the majority of contracts are 12 months in duration, the current 14 months settlement means that as DC we have to approach the previous DC for 2 months of read data in order to provide the required 14 month data at change of supplier, this requirement would be removed with a reduction in settlement timescales equal to or less than 12 months.</p>
ScottishPower	<p>As with our response to Question 2, the progress of the SMART rollout has to be considered when setting Final Settlement timescales and whether it will adversely impact consumers (and their Suppliers) who remain on traditional NHH (dumb) meters.</p>
Power Data Associates Ltd	<p>Settlement is the key issue for the BSC, but correct and accurate customer billing is a key driver for Customers. If the settlement timescale is shortened does the supplier correct all the customer billing (plus or minus) absorb the difference. Across a suppliers portfolio do they accept the 'swings and roundabouts'? This would introduce a new risk to for retail suppliers. It could also unfairly change the balance between customers and suppliers, as suppliers would be keen to pursue under billing, but reluctant to repay overbilling. Currently, the supplier is neutral to corrections prior to RF.</p>
SSE Energy Supply Ltd	<p>We affirm PSRG attributing importance of Purchases versus Sales to drive decisions on setting this timescale. As noted, the potential reduction in Supplier and ultimately customer costs remain a primary consideration. Though recognising the potential for process and resource savings, we remain to be convinced due to the lack of experience in understanding the impact of faulty smart meters and their associated communications.</p> <p>When implementing a change to the timescale, the ratio of sites with fully-active Smart/ AMR meter to non-functioning Smart or AMR/ dumb meters must also be considered. For example, a 20% non install rate on a portfolio of 100,000 could have a significant impact on settlements for a Supplier if these were Profile Class 3-4. Furthermore, the market must be confident that all Suppliers can maintain the increase in data issues, including but not limited to D0095 defaults and erroneous EAC/AAs, which will be encountered during the rollout.</p> <p>It would be sensible to consider this question once the rollout has progressed, to ensure an evidence-based approach is taken.</p>
SmartestEnergy Limited	<p>Maintaining a performance standard equivalent to HH should be the most important factor. RF should not be brought further forward than the point at which a market average of 99% of actual data is achieved.</p>

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	<p>We do not agree with the use of performance targets to drive performance because in the early days performance could actually decrease. It is important to maintain current standards but not reduce settlement timescales and/or change performance standards until the benefits of smart metering have actually manifested themselves.</p>
British Gas	<p>The key factor to consider is the percentage of customers settled on actual meter readings. With roll-out of smart metering this figure will naturally increase at each settlement run, particularly if smart meters are read on a minimum of a monthly basis. We believe that final settlement timescale could be reduced in the long term and that data should be monitored and used to drive this decision. In the current AMR market we are experiencing too many interoperability and communication issues to consider reducing settlement timescales at this time. As these issues are resolved and performance improves settlement timescales could be reviewed in the longer term.</p>
TMA Data Management Ltd	<p>We firmly believe that RF should be moved to R3 and R3 eliminated. The multiple re-iterations of Settlement were set to provide the opportunity for domestic sites to obtain one actual read. The installation of AMR and Smart metering will increase the availability of actual readings for NHH sites and also release some of the manpower effort for reading the hard to read sites. Once again we hold the availability of accurate data as the main driver to reduce the timescales for Final Settlement. The impact of P272 should also be considered as it would reduce the number of NHH settled sites as well as reduce the level of NHH settled energy i.e. there will be fewer NHH settled sites and they will be easier to read.</p>
First Utility Limited	<p>First Utility believes that an RF of 148 days is achievable once the Smart roll-out is complete.</p> <p>We believe that an RF of 100 days is not achievable currently due to the time needed to deal with industry exceptions such as Erroneous Transfers (ET's), asset related issues, Large EAC/AA, D0095 or additional portfolio exceptions, which are sometimes not even detected for a number of months and might subsequently require a site visit to resolve (taking more time).</p>
RWE npower	<p>Current Smart roll out plans suggest that half of the roll-out will be complete by 2018. Based on learning from AMR roll-out, issues and exceptions requiring resolution can be long standing after a meter exchange. We therefore believe that any reduction in settlement timescales should not become effective until after the completion of Smart roll-out. The understanding of the scale of exceptions and issues that could be generated through such mass roll-out activity will be key in understanding when the timescale for final settlement should be.</p> <p>Consideration should be given to how long it takes to resolve issues with remotely read meters through existing processes and whether this will be similar with Smart meters.</p> <p>We would also like to note the need to recognise the progress of potential universal half hourly settlement and the transition from the NHH data period as this could impact the need for a longer period prior to Final Settlement.</p> <p>At this point in time and taking the above into consideration, we do not feel that we can provide an optimum time to reduce the final settlement window. We would recommend that a</p>

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	review is carried out during the Smart meter roll out to ensure we understand any issues along the way.
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Question 6. Do you agree with the key drivers for Interim Reconciliation runs identified by the PSRG?

Please provide rationale and any additional comments.

E.ON	Yes we agree with the drivers identified. We believe that current legislation should be amended to support the intended monthly Smart read cycle.
ScottishPower	Yes
Power Data Associates Ltd	We provide revised HH data to the HHDC whenever it is available, it can then reach the supplier/customer billing quickly and will be incorporated into the next scheduled reconciliation run to improve settlement.
SSE Energy Supply Ltd	Overall we are in agreement, however we would challenge the savings made to Supplier back office operations. The Interim Reconciliation runs have a degree of work involved but we advise the savings are minimal in relation to the other stages of settlements.
SmartestEnergy Limited	The document mentions several times that the reason settlement runs are where they are is to coincide with meter read and billing cycles. Clearly, in a world dominated by Smart meters this is no longer a consideration.
British Gas	We agree with the key drivers identified for interim reconciliation runs identified by the PSRG. Currently in a dumb world interim runs are used to correct settlement where errors are identified or communication issues identified before RF.
TMA Data Management Ltd	Yes, namely Supplier back office cost savings, read cycles, Agent cost savings, impact of Smart/AMR meter data and performance.
First Utility Limited	First Utility is broadly in agreement with the key drivers for the Interim Reconciliation runs.
RWE npower	[Confidential]

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Question 7. What should be considered when deciding the number and timings of Interim Reconciliation runs?

Please provide rationale and any additional comments.

E.ON	<p>We understand the comfort provided by interim reconciliation runs, however ultimately, when Smart roll out is completed and providing the timing of SF and RF is set appropriately, there should be little change between interim runs as is seen in the HH market. EAC's will be more accurate given the more regular reading frequency, so we believe that the interim runs could be reduced and the original need for them will have been removed.</p> <p>For forecasting purposes, we would be keen to ensure that a reliable run of data based on a high proportion of actual reads was available to us at 10 / 11 calendar months after each settlement date. This is the case with all proposals in section 10, but if other options were to be explored we would like this to be a consideration.</p> <p>Gross errors caused by erroneous reads etc. should not be allowed to persist for an overly long length of time without being corrected; this may be a reason for retaining at least 1 interim run.</p>
ScottishPower	<p>Again, the progress of the SMART meter roll-out needs to be considered when setting the number and frequency of Interim Reconciliation Runs. The level of change (both financial and data) before and after Interim Reconciliation Runs will need to be monitored.</p>
Power Data Associates Ltd	<p>No comment</p>
SSE Energy Supply Ltd	<p>We request close attention is given to 'Approach 3: Remove and Move Runs' (page 10). It shows a R2 run at 50 days with an RF run at 100 days. There is no identifiable benefit to an interim run between these two dates. From a settlements performance and data perspective the R2 run would need to be closely monitored. This would allow for data cleansing and tracking sites where no read has been obtained to ensure the RF performance is as expected. It would, however, be a very tight timescale dependent on portfolio size and we could potentially see a significant increase in required resources to cope with it.</p>
SmartestEnergy Limited	<p>If data is read at least monthly under Smart then the read cycles should be less of an influencing factor.</p> <p>We agree that agent process cost savings would be modest when reducing the number of Interim reconciliation runs. This will also be true of suppliers. There should be some consideration of supplier/agent costs to change systems. In other words, it may not be worth changing the data aggregator systems unless some other more fundamental change is to be made.</p> <p>The document states the following: "There could be benefits for small Suppliers that have issues if embedded generation data is missing, if there were shorter gaps between reconciliation runs, as waiting a long time for a reconciliation run to correct errors can cause financial issues for this sector." We are not convinced this is true as generators get paid when</p>

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	<p>the data is actual or an approved estimate as per the D36s.</p> <p>Whilst we are not convinced of the need for non financial data runs, we agree that there should be at least one reconciliation run between SF and RF to allow for the effects of corrected data to be seen before final settlement.</p>
British Gas	<p>Again the data should be used to drive any decisions on timing of settlement runs. We do not believe that settlement timescales should be changed simply as a catalyst to improve performance as this could simply add additional costs with minimal financial benefit. As smart roll-out progresses performance should be analysed and potential changes could be made as performance improves. As an initial step the performance targets could be increased before reducing settlement timescales if the data supported a change.</p>
TMA Data Management Ltd	<p>Cost versus improvement of data accuracy. If the level of accurate data is sufficient by SF to provide a sound basis for financial settlement, one interim run to identify potential issues and catch some of the hard to read meter readings, meter download, meter fault resolution before RF would be sufficient. The time between the interim run and RF would be utilised to resolve any issue/dispute. The manpower effort on issue/error resolution and dispute resolution can be concentrated and therefore be more efficient.</p>
First Utility Limited	<p>First Utility believes that the Interim Reconciliation runs should be left as they are today.</p>
RWE npower	<p>Consideration should also be given to the cost to operate each reconciliation run across the whole industry versus the financial transactions that occur for all participants. A balance is required.</p> <p>[Confidential comments removed]</p>

Question 8. How much time do you believe should be allowed for the resolution of disputes?

Please provide rationale and any additional comments.

E.ON	<p>We believe that the roll out of Smart should make it easier to spot and rectify issues; however, we recognise that in some cases issues may be harder to spot due to fewer site visits. We believe that there may be a case for keeping the current timings for disputes in some scenarios.</p>
ScottishPower	<p>In relation to disputes we could do with some analysis from Elexon on the age/materiality of disputes occurring before making a decision on the future of disputes. Changing timescales of Settlement is one thing, resolution of disputes is another. When considering timescales we need to think about the likes of Walney Windfarm dispute, these sorts of problems can occur at any time, what if this had been identified after 2 years and we had revised timescales that meant it was too late to raise a dispute?</p> <p>Clearly, we will need to a strike a balance on encouraging parties to identify and resolve data queries in a timely manner - but it is important there is a mechanism to address the possibility</p>

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	of a high material error being identified late.
Power Data Associates Ltd	See response to Q5
SSE Energy Supply Ltd	Once Smart metering is fully established we would expect the number of disputes to sharply reduce. During the rollout, however, it is likely the number of disputes may increase as we become aware of anomalies between onsite metering and the records. As such Suppliers' ability to resolve disputes will be impacted during the Smart rollout. In summary, we should build evidence through the Smart rollout to ensure any changes to the resolution standards will be both achievable and long-lasting.
SmartestEnergy Limited	On the basis that it should be used rarely but there needs to be sufficient time to discover errors we believe that the 28 month cut off should remain.
British Gas	We are happy with the current timescales allowed for resolution of disputes and cannot identify and key benefits in changing these at the current time.
TMA Data Management Ltd	The more time is allowed for resolution of disputes, the more time it will take to resolve disputes. We believe that disputes should be resolved by RF and Disputes run dispensed of.
First Utility Limited	The view of First Utility is that a period of 14 months to resolve disputes is achievable, this aligns closely with a Suppliers' allowance to correct customer bills up to 12 months in arrears. The larger Suppliers tend to have a 6 monthly or annual reading cycle for non-smart meters whereas small Suppliers might choose to only collect reads when performing the 2 yearly meter inspections. Reducing the time to resolve disputes will likely force smaller Suppliers to "pedestrian read" non-smart meters more often, thus increasing costs. It should be noted that whilst pedestrian reads resolve many issues, human error leads to additional exceptions that need to be resolved and reconciled. These facts further emphasise the importance of a successful smart meter roll-out being in place before any settlement changes are implemented.
RWE npower	<p>Until the completion of smart meter roll-out, the existing timescales for resolution of disputes should remain as a minimum. It is likely that there will be an increase in the amount of disputes raised with mass smart meter roll-out although that is assuming that settlement errors meet the existing materiality threshold. It will be essential to offer parties the opportunity to correct manifest errors within settlements in accordance with existing rules contained within the Balancing and Settlement Code. Removing the opportunity of correction may increase the volume of error contained within the group correction factor.</p> <p>One of the foreseen benefits of smart metering and universal half-hourly settlement is the reduced gap between the amount of energy a supplier is allocated through settlement and the amount the supplier has sold to its customers. This will always be an issue if timings for correcting settlement (e.g. the disputes process) and changing customer billing are different.</p>

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Question 9. Are the Risks, Assumptions, Issues or Dependencies correctly identified and are there any omissions that need to be considered?

Please provide rationale and any additional comments

E.ON	We believe the Risks, Assumptions, Issues and Dependencies have been captured correctly.
ScottishPower	We believe all Risks, Assumptions, Issues or Dependencies have been identified and we do not note any omissions at this point.
Power Data Associates Ltd	It may be politically incorrect to state this, but they may need to be recognition of a market wide problem with smart metering that result in material number of metering errors due to type faults, or the like. These issues are more likely to appear early in the roll-out when the equipment is becoming established.
SSE Energy Supply Ltd	We support those items identified on the R.A.I.D. log. However, we would like to add another Issue for consideration. We suggest that data anomalies and erroneous EAC/AAs are under control before implementing any reduction in timescales. This is to mitigate the risk on parties ability to cleanse data and resolve read issues prior to RF.
SmartestEnergy Limited	No comment.
British Gas	We agree with the Risks, Assumptions, Issues and Dependencies that have been identified
TMA Data Management Ltd	Yes.
First Utility Limited	A further consideration is that Suppliers have differing operational challenges regarding the smart meter roll-out, causing some Suppliers to have a much higher proportion of live smart meters than others during the roll-out period. This review should consider these differences when determining implementation timing rather than the roll-out as an industry whole.
RWE npower	<p>We agree with the listing of Risks, Assumptions, Issues and Dependencies. An addition to the assumption is that Suppliers will read their customer' meters more frequently when they have a smart meter and that these reads are entered into settlement.</p> <p>There also appears to be an underlying assumption that errors with smart data quality are less likely to occur and if they do, they will be easier to detect.</p> <p>We would stress the dependency and links to Ofgem's Smarter Markets Programme, specifically the work that has recently been initiated on moving to half-hourly settlement</p>

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Question 10. Are the areas for potential BSC changes correctly identified?

Please provide rationale and any additional comments

E.ON	Yes we believe so.
ScottishPower	We believe so.
Power Data Associates Ltd	
SSE Energy Supply Ltd	We agree that those BSC documents identified may require change. We seek clarification that Parms Assurance will include specific attention to BSC533.
SmartestEnergy Limited	Yes
British Gas	We agree with the areas for potential BSC changes
TMA Data Management Ltd	Yes.
First Utility Limited	Yes.
RWE npower	We believe that the area proposed for change. We would like Elexon to carry out a piece of work to ensure that all areas are captured to ensure consistency.

Question 11. Are there any other changes or other potential unintended consequences that need to be considered? e.g. DUoS, TNUoS, ECO or other initiatives?

Please provide rationale and any additional comments

E.ON	The guidance for suppliers as to how to calculate supply volume for RO will need amending, as will any other scheme that requires the reporting of supplier volume such as Feed-in Tariffs and ECO. There may also be a requirement to change any guidance for the delivery of EMR.
ScottishPower	None
Power Data Associates Ltd	I think the opportunity is also there to ensure that the remaining large UMS customer that currently trade NHH are moved to trade HH. This will improve settlement accuracy due to correct daily and seasonal profile.

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SSE Energy Supply Ltd	<p>In approaching these changes to Settlements periods we must be clear on three points.</p> <ol style="list-style-type: none"> 1. The relationship between the frequency of readings and the accuracy and Settlements must remain a key consideration. 2. An evidence-based approach should be pursued wherever possible. In order to ensure changes to Settlements achieve longevity, past experience should be our guide. 3. The data collection from domestic customers in relation to the data privacy should be fully considered to ensure that this work could proceed with clarity. Notwithstanding this, we recognise the merit of consulting on this subject.
SmartestEnergy Limited	<p>There will be consequences for the RO, EMR, BSUoS and TNUoS all of which are depending on the settlements timetable. For HH we believe distributors receive D36 data as and when it is adjusted. Therefore there should be no consequences for DUoS if all data is treated HH. However, the question omits the important areas of RO, EMR and BSUoS.</p>
British Gas	<p>We agree that in the long terms there may be benefits in reducing overall settlement timescales. However there should be a full cost/benefit analysis carried out before this is proposed and we believe there will be a tipping point when performance will have reached a point when reducing the timescales is achievable. This point may be reached once interoperability issues in the AMR market are resolved, DCC is bedded in and achieves high performance levels, mass smart meter roll-out is well under way and settlement performance levels are at a level to support a reduction in timescales.</p>
TMA Data Management Ltd	<p>No comment.</p>
First Utility Limited	<p>For Interim Settlement runs it is very important that a special emphasis is placed on RI as the volume allocated on this run is the basis for determining Supplier contribution towards programmes such as ECO and Warm Homes.</p>
RWE npower	<p>Changes to the settlement timescales would also impact on BSUoS charging and the associated invoicing process.</p> <p>We would like to note that the impacts on NHH and HH DUoS charging would be different. The NHH DUoS charging timetable follows the settlement calendar and reconciliation run process. HH DUoS charging is governed to a lesser extent by the full settlement calendar and changes to HH DUoS charges can occur up to six years after the consumption month.</p>