

By email to EnergyMarket@cma.gsi.gov.uk

1 April 2015

Energy market investigation
Competition and Markets Authority
Victoria House
Southampton Row
London WC1B 4AD

ELEXON's comments on the CMA's working paper 'Gas and electricity settlement and metering'

ELEXON welcomes the opportunity to comment on the CMA's working paper on gas and electricity settlement and metering. This is in addition to our response to the CMA's updated Statement of Issues which we sent on 20 March 2015.

We set out below a number of observations on the working paper that clarify or enhance the information provided in the paper. These are ELEXON's observations and not those of the BSC Panel.

Half Hourly (HH) electricity settlement (sections 8-10)

ELEXON notes the CMA's concerns over a lack of certainty regarding the facilitation of future innovation in energy services and tariffs and the potential role of smart metering and HH settlement in supporting such innovation. ELEXON recognised the challenges in 2010 and has pioneered work with industry and Ofgem in developing proposals for the evolution of settlement¹ (and eventually full HH settlement). In support of your work we refer you to our cost/benefit analysis for HH settlement² (which you allude to in section 83) and thought leadership on accommodating emerging technologies and markets³. We would welcome the opportunity to discuss developments to date with the CMA.

A move to 15 minute settlement?

We note that the current work for standardising arrangements across Europe (and introduction of European Network Codes) indicates that settlement is likely to move to 15 minute granularity. If so,

¹ See the work of the [Profiling and Settlement Review Group](#)

² [HH settlement of profile classes 1 to 4](#)

³ See ELEXON's thought leadership reports under '[Smart Grids – latest insights](#)'

this will either require new profiling arrangements, or work to ensure that smart meters can collect accurate metered data at this granularity.

Electricity settlement timetable and settlement accuracy (sections 35, 36 and 41)

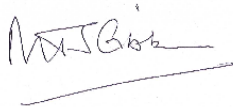
You note the potential uncertainty and costs to suppliers associated with the fact that settlement can take up to 28 months. The normal settlement process concludes after 14 months (called final reconciliation). The 28 months relates to the provision in the BSC that allows for the ability to re-run settlement calculations after 28 months to resolve a dispute.

Settlement accuracy improves over time and the CMA's report observes that settlement accuracy does not reach 80% until around 156 days after the date of supply. Our comment is that, you have referred here to the performance standards set out in the BSC, which obliges suppliers to settle increasing percentages of their energy on accurate data (across each reconciliation). In practice actual performance of the market currently is that at the third reconciliation (i.e. around 156 days) about 90% of the energy from non half hourly customers is being settled on metered data. However, we note that industry is concerned that the mass meter exchange (that accompanies the smart rollout) will have an impact on settlement performance, due to the potential for errors to enter the process.

Our work with industry (the Profiling and Settlement Review Group) has explored reducing the normal settlement timetable from 14 to 7 months⁴.

We would be happy to discuss our response and will continue to support the CMA in its work. If you would like to discuss any areas of our response, please contact me or David Jones, Director of Operations, on 020 7380 4213, or by email at david.jones@exxon.co.uk.

Yours sincerely,



Michael Gibbons
Chairman, ELEXON

⁴ See report to BSC Panel, [234_16](#) and [Reducing Settlement timescales](#)