

Public

Update on DWG and the Settlement Reform Significant Code Review

Design Working Group

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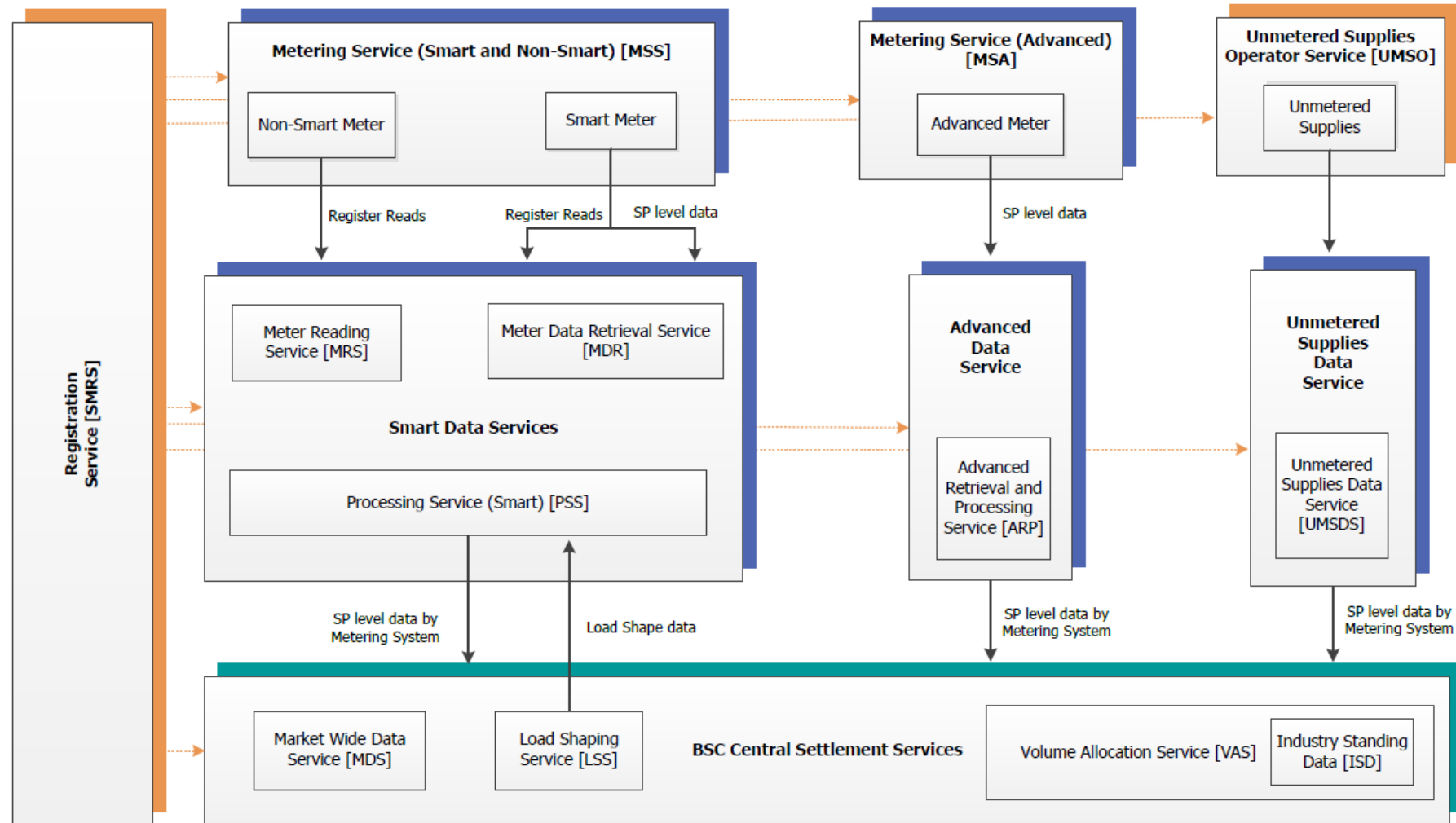
SEC Panel – DWG and SCR Update

- Design Working Group (DWG)
- DWG preferred Target Operating Model (TOM)
- DWG's reduced Settlement timetable for the TOM
- DWG's letter to Performance Assurance Board (PAB)
- DWG and Significant Code Review (SCR) timetable: Key activities

Design Working Group (DWG)

- Ofgem working group, chaired / facilitated by ELEXON
- Designing Target Operating Model (TOM) and transition approach for Market-wide Half Hourly Settlement (MHHS)
- ELEXON is leading the design work with the DWG
- Forms part of Ofgem's Significant Code Review (SCR) on Settlement Reform
- DWG makes recommendations to Ofgem
- Business Case and decision-making sit with Ofgem:
 - Final Business Case decision (based on costs/benefits) will precede drafting of Code changes
 - Ofgem will make Code/licence changes using Smart Meters Act powers
 - No normal Mods process

DWG's preferred TOM (variant of original TOM A)



Key differences from current arrangements

- SVA market split into 3 segments, all settled Half-Hourly (HH):
 - Smart + Legacy Meters
 - Advanced Meters
 - Unmetered Supplies
- NHH arrangements to be retired, potentially with faster run-off
 - Discontinuation of Standard Settlement Configurations, Time Pattern Regimes, Profile Classes, Annualised Advances and Estimated Annual Consumptions
- Metering Systems where only register reads available will have HH data produced as part of Data Processing, using actual HH data ('load shapes') from smart Meters
- BSC Central Settlement Services will receive disaggregated MPAN-level HH data and add this up (no separate Data Aggregators for Settlement purposes)

DWG's reduced Settlement timetable for the TOM

Run	Timing
Interim Information (II) Run	4 WD
Initial Settlement (SF) Run	5-7 WD (depending on DCC read capability)
Interim Reconciliation Run	33 WD
Final Reconciliation (RF) Run	4 months
Disputes Final (DF) Run	12 months or longer

- Likely to require changes to Performance Assurance Framework (e.g. performance targets and measures)
 - May not be as simple as just replacing one number with another
 - For example, existing distinction between 'actuals' and 'estimates' no longer meaningful under the TOM

Dispute Run timing and Disputes materiality threshold

- DWG could not agree on exact DF Run timing
 - Subgroup recommended 12 months (aligns with Supplier back-billing cut-off)
 - DWG nervous that too short / impact on CVA errors
 - Difficulties in analysing / predicting future performance under shortened timetable (has analysed current performance)
 - Steer from Design Advisory Board and Ofgem that:
 - Assume quality of Meter data better than now
 - Settlement timetable should incentivise timely detection/correction of errors
 - Settlement timetable should not be based on current performance
 - Trading Disputes should not be the norm and only where significant materiality

DWG's letter to PAB

- DWG has asked PAB to consider how best to identify, develop and implement the following PAF changes for the TOM:
 - Performance targets
 - Disputes Run timing / cut-off
 - Trading Disputes materiality threshold
 - Transition monitoring, reporting and enforcement (with Ofgem)
- High-level PAF/Disputes impact assessment needed by May 2019, to feed into Ofgem's Business Case decision through:
 - DWG's transition approach (consultation June/July 2019)
 - BSC impact assessment (June/July 2019)
 - Final DWG report (August 2019)
- ELEXON continuing discussions with PAB on whether this forms part of PAF Review or separate piece of work

DWG and SCR timetable: Key activities

Activity	Timing
DWG's report to Ofgem on preferred TOM & requirements	End Jan 2019
DWG's consultation on preferred TOM & requirements	Feb/Mar 2019
Ofgem's Request for Information (participant costs/impacts)	Spring 2019
DWG's consultation on transition approach	June/July 2019
BSC impact assessment on implementing/transitioning TOM	June/July 2019
DWG's final report to Ofgem	August 2019
Ofgem's Final Business Case decision	Late 2019
Code & licence changes drafted and made by Ofgem (with industry support / consultation)	~2020
Transition to TOM	~2021-2022
TOM fully effective	~2023
Run-off of previous Settlement Days	~2023+