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<b>Paper Reference:</b>	<b>OPSG_58_0510_14</b>
<b>Action:</b>	<b>For Discussion</b>

## MP162 Preliminary Assessment

### 1. Purpose

This paper presents the DCC's Preliminary Assessment for Modification Proposal [MP162 'SEC changes required to deliver MHHS'](#). We seek the Operations Group's (OPSG) initial views on the DCC's response.

### 2. Summary of MP162

This section summarises the key points of this Modification Proposal.

#### 2.1 Issue

As the smart metering rollout continues, there will be more and more premises with Electricity Smart Metering Equipment (ESME) installed capable of recording consumption in each half-hour period. Ofgem's [Electricity Settlement Reform Significant Code Review](#) (SCR) has concluded that settling all consumers on a half-hourly basis would bring net benefits of up to £4.5bn by 2045<sup>1</sup>. It has therefore concluded that Suppliers should be mandated to settle their customers on a half-hourly basis.

Delivering the full solution for market-wide half-hourly settlement (MHHS) will require changes to the Smart Energy Code (SEC) and to the Data Communications Company (DCC) Systems. Ofgem has [requested the DCC raise this SEC modification](#) to progress and deliver these changes.

#### 2.2 Proposed Solution: Ofgem's target operating model

During the SCR, Ofgem has developed its target operating model (TOM) for how the full MHHS solution should be delivered. The SEC and the DCC Systems changes will need to deliver the requirements set out in the TOM.

This modification will cover all the SEC changes required to deliver the MHHS solution, which will include:

- The introduction of a new User Role for Parties carrying out the Meter Data Retrieval (MDR) service.

<sup>1</sup> Please see Ofgem's [final business case and decision to implement market-wide half-hourly settlement](#) for more details.

- Defining the relevant Service Requests the new User Role will have access to and the associated Target Response Times (TRTs) and testing scenarios.
- The associated security and data privacy arrangements that will apply to the new User Role.
- The User Entry Process requirements for the new User Role.

The agreed business requirements for this modification can be found in Appendix A.

## 2.3 Clarification on the MDR function

The OPSG has previously sought further clarity on what the MDR function will do and whether this will impact other Users (Action 54/08<sup>2</sup>).

The Meter Data Retrieval Agent (MDRA) role is being established under the wider MHHS solution to define the function of collecting half-hourly data from ESMES and feeding these into settlement. This would form a new Supplier agent role, in a similar vein to the existing data aggregation and data collection roles. Like with other such roles, Suppliers can choose to carry out this function in-house, or outsource it to an agent.

The new MDR User role is being set up to allow any Supplier agents fulfilling the MDRA function on behalf of a Supplier to access all and only the Service Requests needed for this. This will not impact on or affect any existing User Roles under the SEC. Suppliers are not expected to need to use this role as all relevant Service Requests are already available under the Supplier role. Users in other roles may also need to become MDR Users if they intend to fulfil the MDRA role for a Supplier.

## 3. Preliminary Assessment

The DCC has provided its Preliminary Assessment of MP162, and this can be found in Appendix B.

In its response, the DCC has noted several areas where further information is needed from the industry. Resolving these uncertainties will enable the DCC to significantly reduce its costs in the Impact Assessment.

### 3.1 User behaviour and impact on additional message volumes

The DCC has highlighted there are many variables in the requirements relating to User behaviour because of MHHS. This variability will affect the volume of additional Service Request Variants (SRVs) that the DCC may need to process. The DCC has attempted to model this variability to assist the Service Providers in assessing the impacts of any increased demand on them. However, the high level of variability has had a significant impact on the overall solution design, associated costs and delivery timescales.

A recommendation from the DCC would be to move away from the single current DCC scheduling window. Alternatives could be to use an updated pre-defined DCC scheduling window or create a scheduling window across 24 hours to meet the TRT requirements. This would reduce capacity impacts on the DCC System and deliver greater infrastructure re-use efficiencies to Users.

As part of the upcoming series of Working Group meetings we will be working with Suppliers and their agents to better understand their likely behaviours because of MHHS. In gaining a clearer view of

<sup>2</sup> SECAS to clarify what the MDR function will do and if/how this will impact other Users, as part of the requirements for MP162.

likely behaviour, the DCC will be able to better refine its assessment during the Impact Assessment. We also welcome any views and insights that OPSG members have on expected behaviour post-MHHS, to help feed into these discussions.

### 3.2 DCC implementation costs

The DCC has assessed several scenarios to assess rough order of magnitude (ROM) costs up to the end of Pre-Integration Testing (PIT), which are summarised in the table below. Full details of these costs can be found in Section 8 of the DCC's Preliminary Assessment response. Post-PIT costs and any ongoing costs will be assessed as part of the full Impact Assessment later in the Refinement Process.

At this stage there is a significant range for these costs. This is due to the level of variability that exists in expected User behaviour, affecting message volumes and over what time these will be processed. We will work with the Working Group in the coming weeks to refine expectations in behaviour, which will better enable the DCC to provide a more accurate cost in the Impact Assessment.

Service Providers	Cost type	ROM lower costs	ROM upper costs
SMETS2	Fixed	£7.0m	£7.0m
	Variable	£1.5m	£5.3m
SMETS1	Fixed	£6.1m	£6.1m
	Variable	£14.5m	£40.6m
<b>Total</b>		<b>£29.1m</b>	<b>£59.0m</b>

### 3.3 DCC lead time and targeted SEC Release

The DCC is provisionally estimating a 12-month lead time up to the end of PIT. We are therefore estimating a total DCC lead time of 18 months. This will be refined during the DCC's full Impact Assessment.

Ofgem is targeting the full MHHS service going live in April 2024. To facilitate this, we are targeting MP162 for inclusion in the November 2023 SEC Release, as this is the last SEC Systems Release before this date.

## 4. Questions for the OPSG

At this stage of the modification framework, we seek the OPSG's view on the following questions:

- Are there any operational issues or concerns to note based on the DCC's Preliminary Assessment response?
- What views or insight do OPSG members have on expected User behaviour following the implementation of MHHS, to help clarify these requirements?

## 5. Next steps

We will be discussing the Preliminary Assessment response and the areas of clarification sought by the DCC over a series of Working Group meetings during October. We will also be engaging with the other Sub-Committees to seek their input on the Preliminary Assessment and the MP162 solution. Following this, we expect to issue the Refinement Consultation in late October to seek wider views on this modification. We have planned for responses to this to be discussed with the Working Group at the start of December before proceeding to Impact Assessment.

## 6. Recommendations

The OPSG is asked to **PROVIDE** any views on the DCC's Preliminary Assessment for MP162 and the questions set out in this paper.

David Kemp

SECAS Team

28 September 2021

### Attachments:

- **Appendix A:** MP162 business requirements v0.4
- **Appendix B:** MP162 DCC Preliminary Assessment v1.0