



Delivering Settlement Reform – Stakeholder Seminar

2 November 2012

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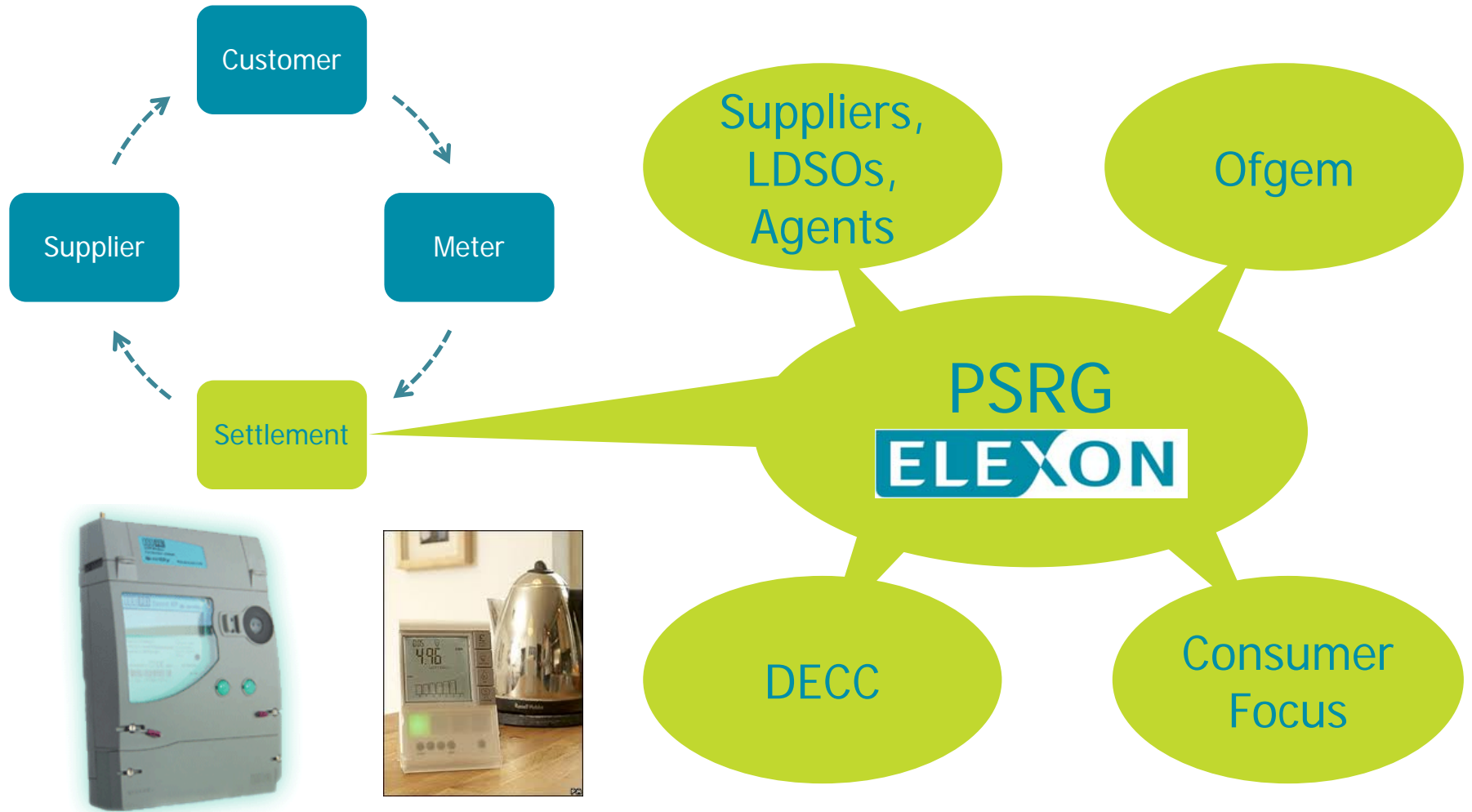




Agenda

- Background to Consultation
 - Profiling and Settlement Review Work
 - Ofgem Smarter Markets
 - Request to Panel
- Draft Report walkthrough
 - Objectives
 - Approach
 - Governance, Stakeholder engagement, Activities within scope of review, Key Interactions
 - Assumptions, Risks & Issues
 - Deliverables
 - Timetable for Review & Reform
- Next steps

Profiling and Settlement Review



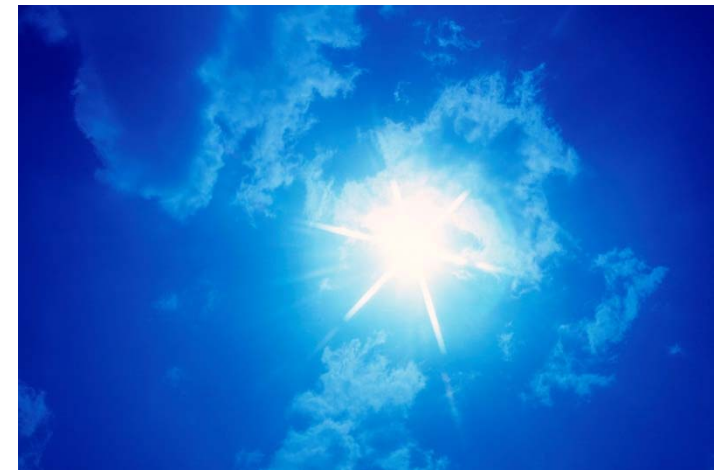
Profiling and Settlement Review



Maintain accuracy



Changes for Smart



Blue sky settlement

Now

short-medium

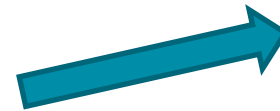
2020

ELEXON

PSR achievements



HH CBAs

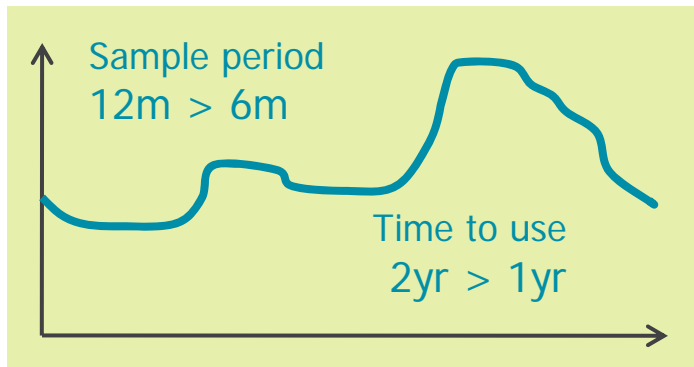


Mod P272



Mod P280

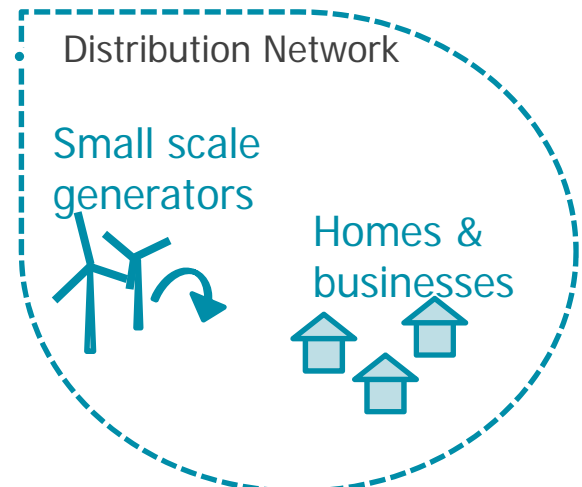
More representative profiles: April 2012



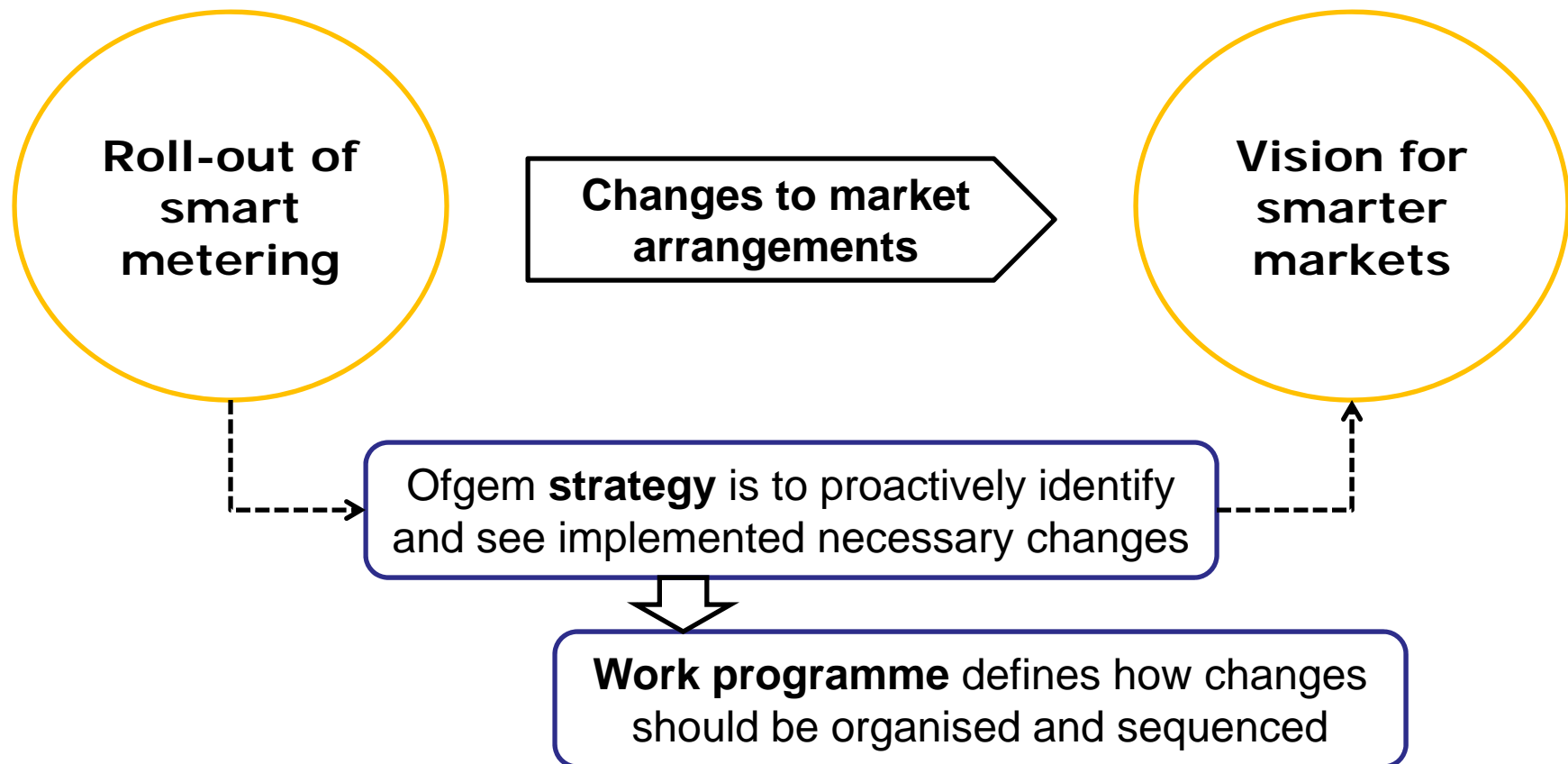
Consumers' demand



April 2013
HH GSP Gp
Correction




Promoting smarter energy markets



An initial work programme

- In July 2012 we published a work programme for the next 12 months
- We prioritised four areas:
 - Change of supplier
 - Electricity settlement
 - Demand-side response
 - Consumer empowerment and protection
- We will manage these areas as a programme

Promoting smarter energy markets:
a work programme

 Promoting choice and value
for all gas and electricity customers

Promoting smarter energy markets:
a work programme

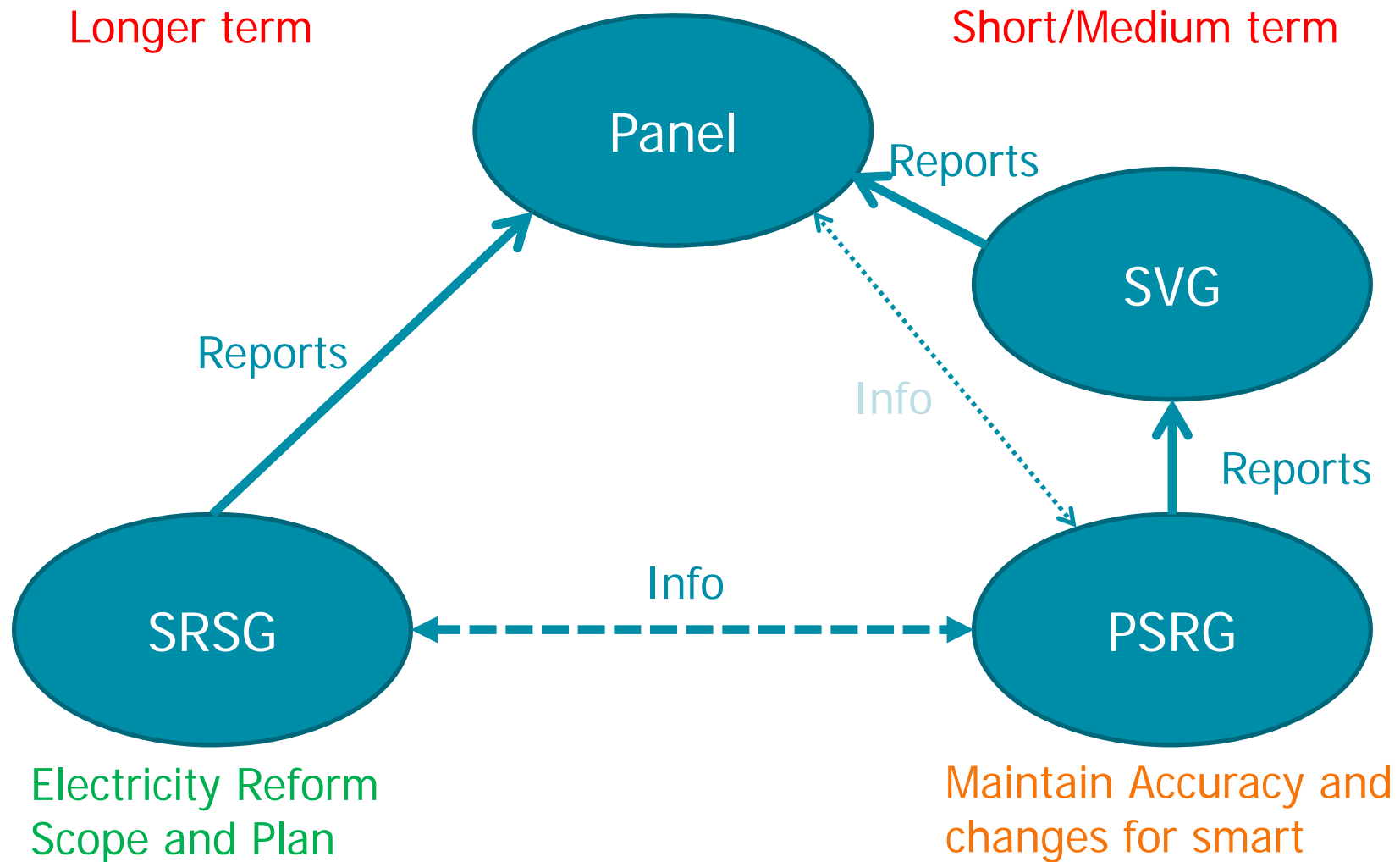
Final decision

Reference: 110/12	Contacts: Adhir Ramdarsan, Senior Policy Manager Jonathan Amos, Policy Analyst
Publication date: 31 July 2012	Team: Smarter Markets
	Tel: 020 7901 7000
	Email: smartermarkets@ofgem.gov.uk

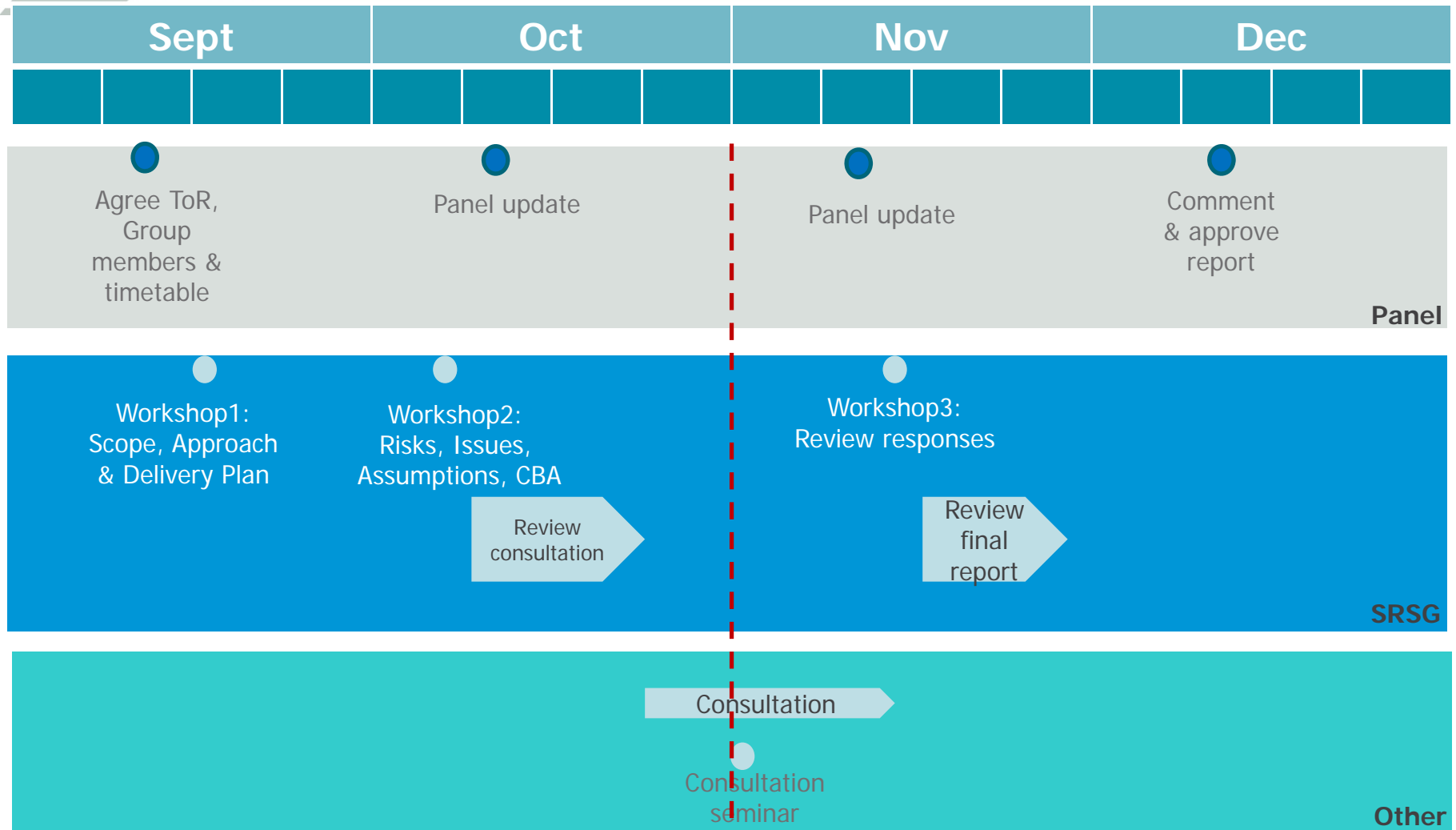
Overview:
Following our consultation on the scope of a strategy to shape market development from the platform of smart metering, we have prioritised four key projects for further consideration. In this document, we outline how we will drive forward thinking on reforms across these priorities in order to enable market development to happen in the interests of consumers during the roll-out and beyond.

Ofgem/Ofgem E-Serve 9 Millbank, London SW1P 3GE www.ofgem.gov.uk

Reporting: SRSG and PSRG



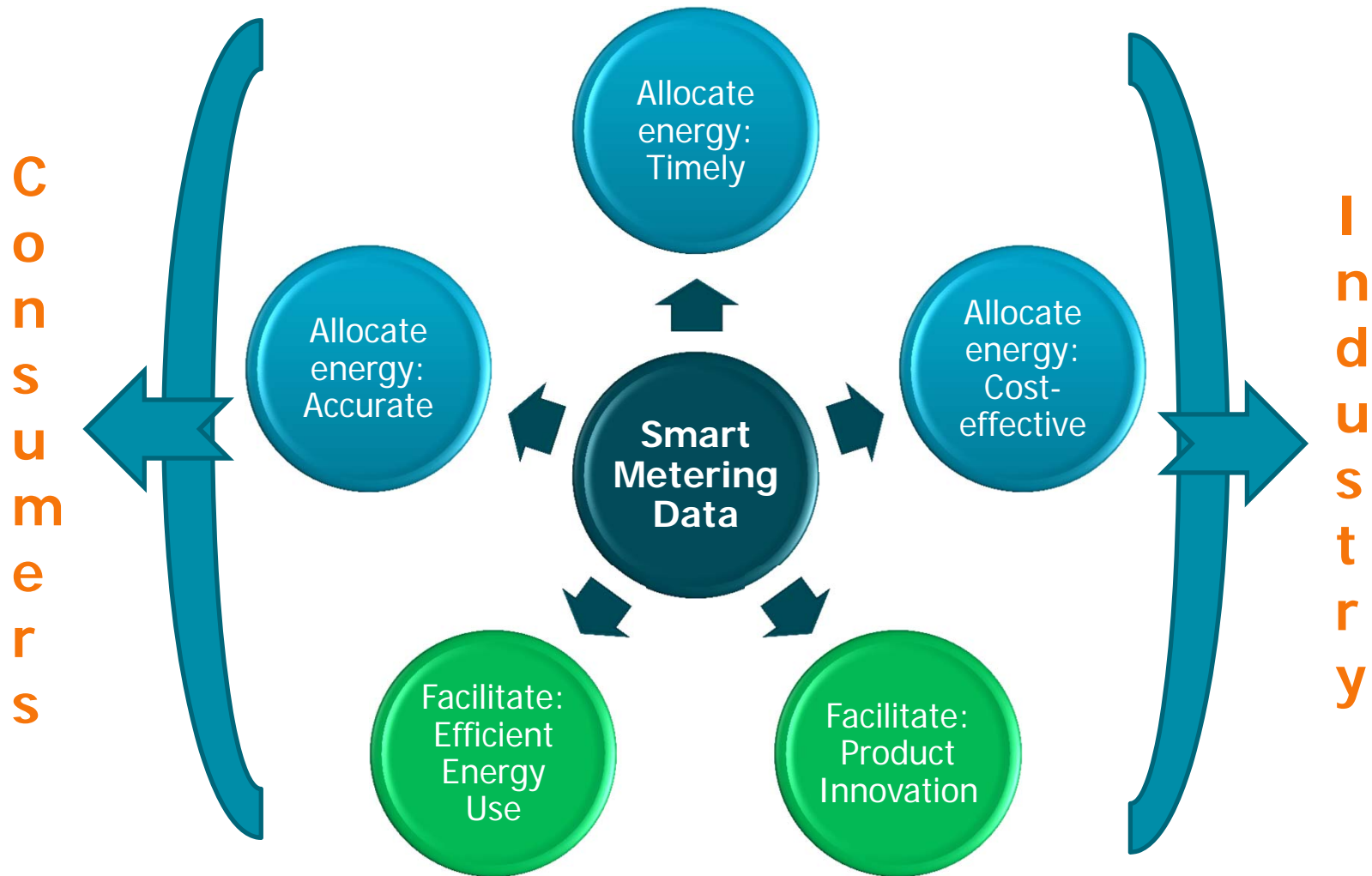
Timetable



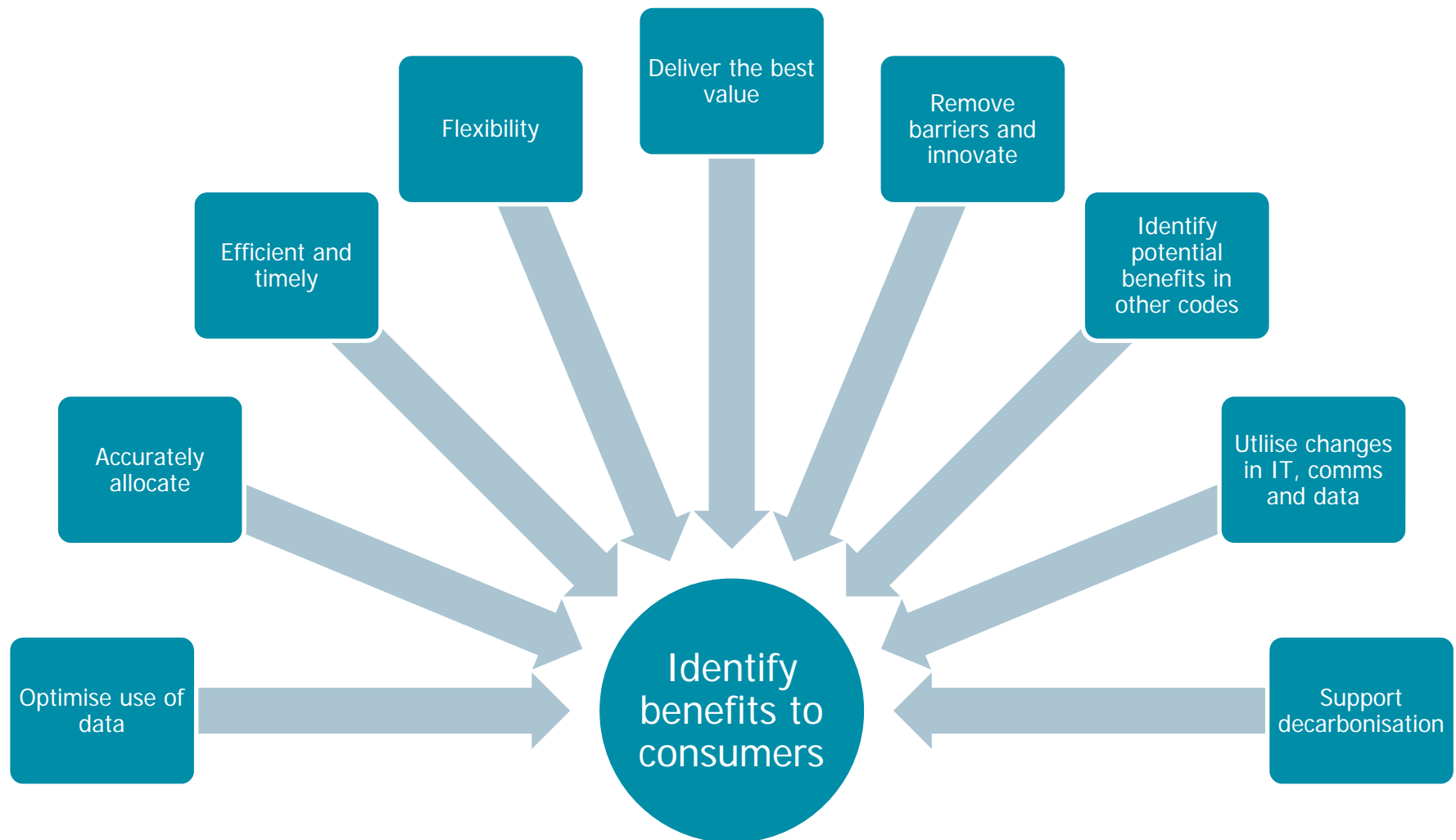


Draft Report Walkthrough

Ofgem longer term objective main points



Section 3: Objectives

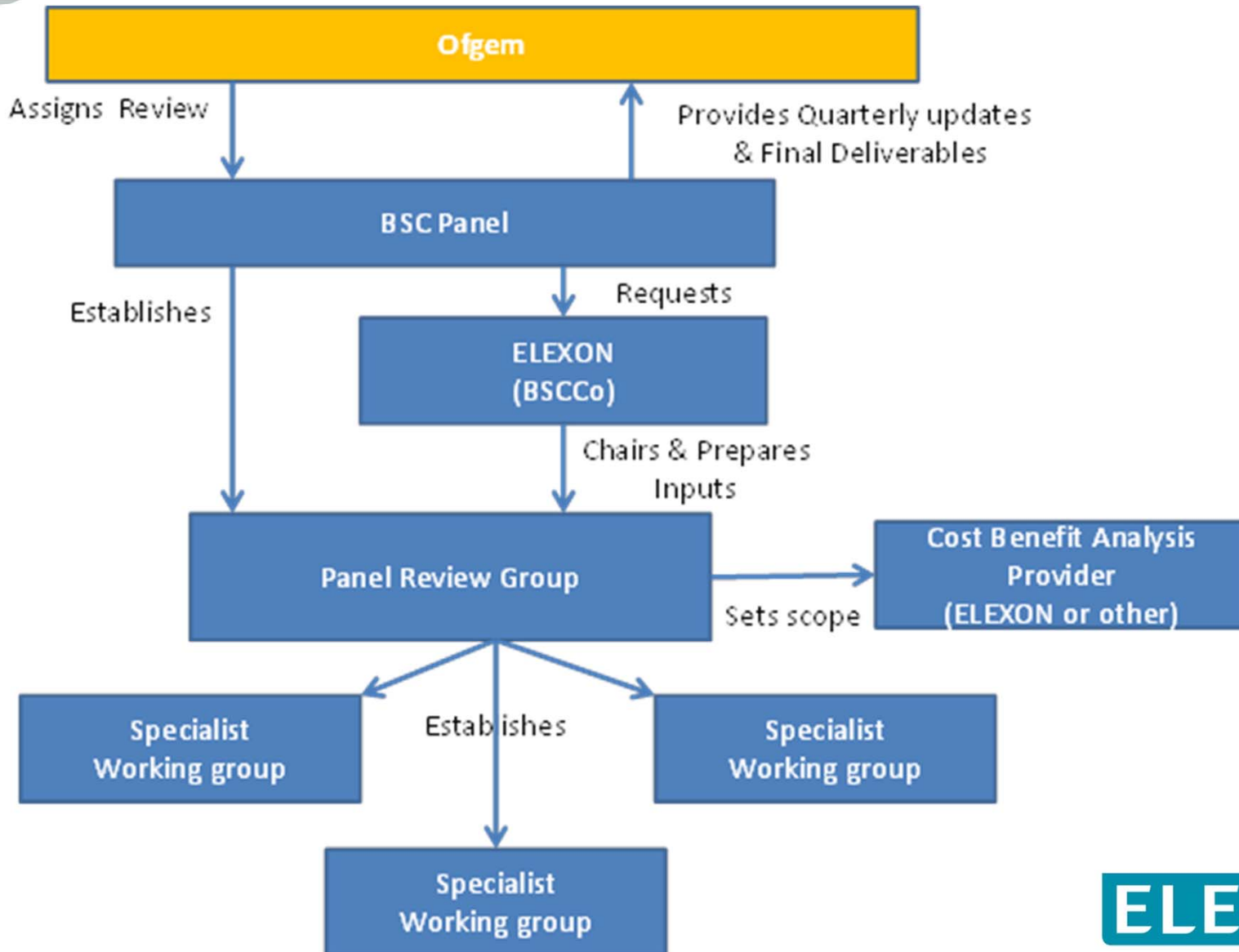




Section 4: Approach (1)

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Section 4: Approach - Governance





Section 4: Approach – Stakeholder Engagement

Consultations
Industry Forums
Dedicated Contacts **Email Updates**
Impact Assessment
Web Updates **Newscast**
Workshops
One2Ones
Seminars



Section 5: In Scope

1. All SVA settlement meters
2. Settlement Run timetable
3. Supplier's allocation of energy, NHH or HH
4. Supplier Hub
5. Performance Assurance Framework
6. Grid Supply Point (GSP) Groups concept
7. Impact of 'unrecorded' energy volumes/estimates
8. Import and Export
9. 3rd party access to Licence Exempt Distribution Networks
10. Unmetered Supplies
11. Suppliers' Credit Cover Calculation



Section 5: Out of Scope

- Out of Scope:
- CVA Arrangements
 - Balancing Mechanism
 - Imbalance Pricing
 - Definition of Settlement Period
- Code Governance
- Gas Settlement



Section 6: Assumptions, Risks, Issues

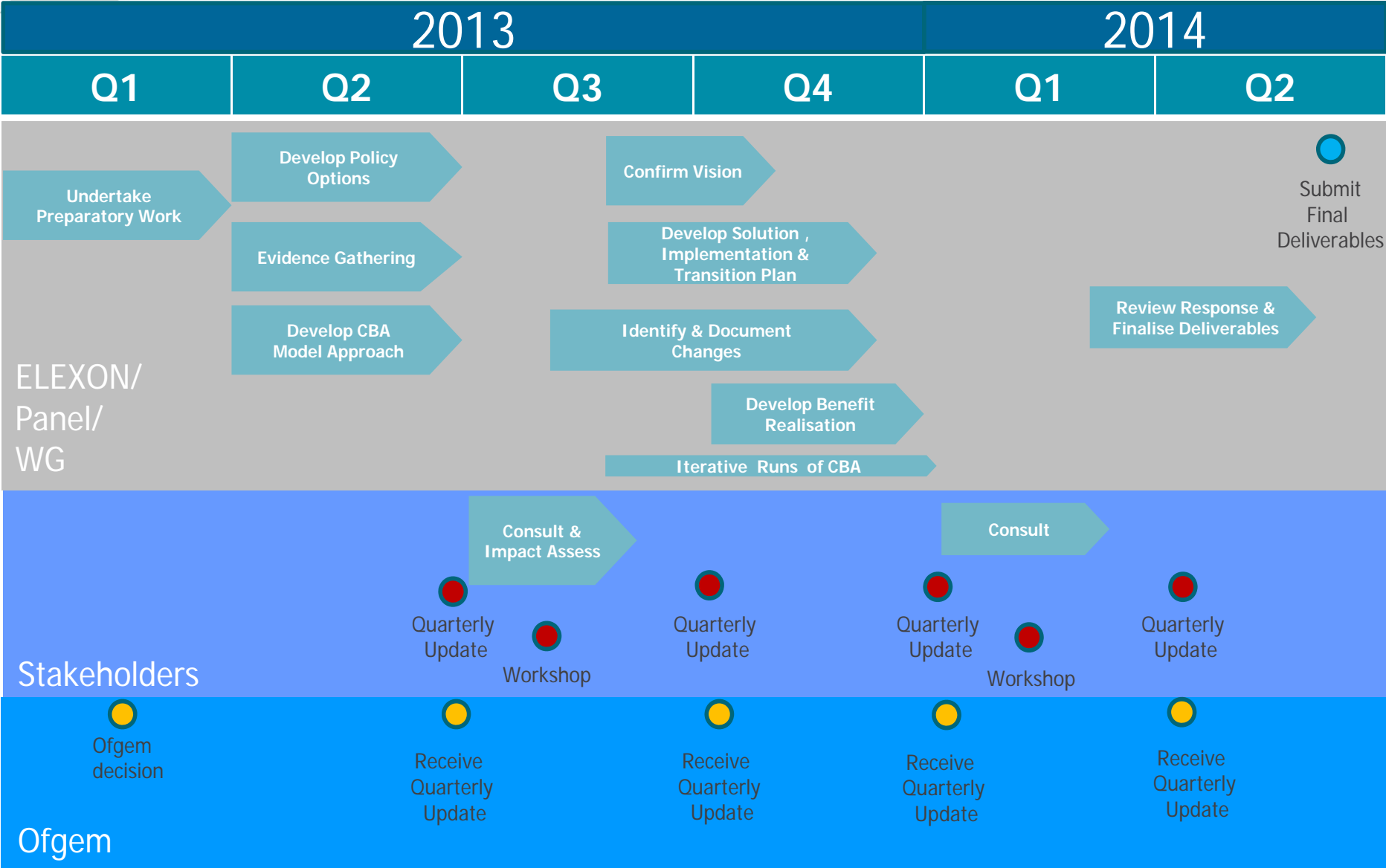
Issues	Assumptions	Risks
<p>Current Settlement: <i>Complexity, dependence on estimation, Timeliness, separated processes (registration/DC/DA...), cost for settling a meter read, DUoS charges (HH vs NHH)</i></p>	<p>Population of Smart/Advanced meters: <i>Based on DECC CBA & Advanced Meter mandate</i></p>	<p>Political/Regulatory: <i>DECC policy, smart rollout, retail market changes</i></p>
<p>Knock On Effects: <i>Barrier to entry?, Impact for customers, limited innovation</i></p>	<p>Governance & Infrastructure: <i>DCC, SEC and Registration in place as per DECC proposals</i></p>	<p>Uncertainty of dependent work: <i>Review of CoS, DSR</i></p>
<p>Future: <i>Generation Mix, EV population, distributed generation</i></p>	<p>Data Availability: <i>Access to HH data, where this can be justified</i></p>	<p>Limit of Resources or consensus: <i>Major industry issue/other industry activities draws resource; working groups stall.</i></p>



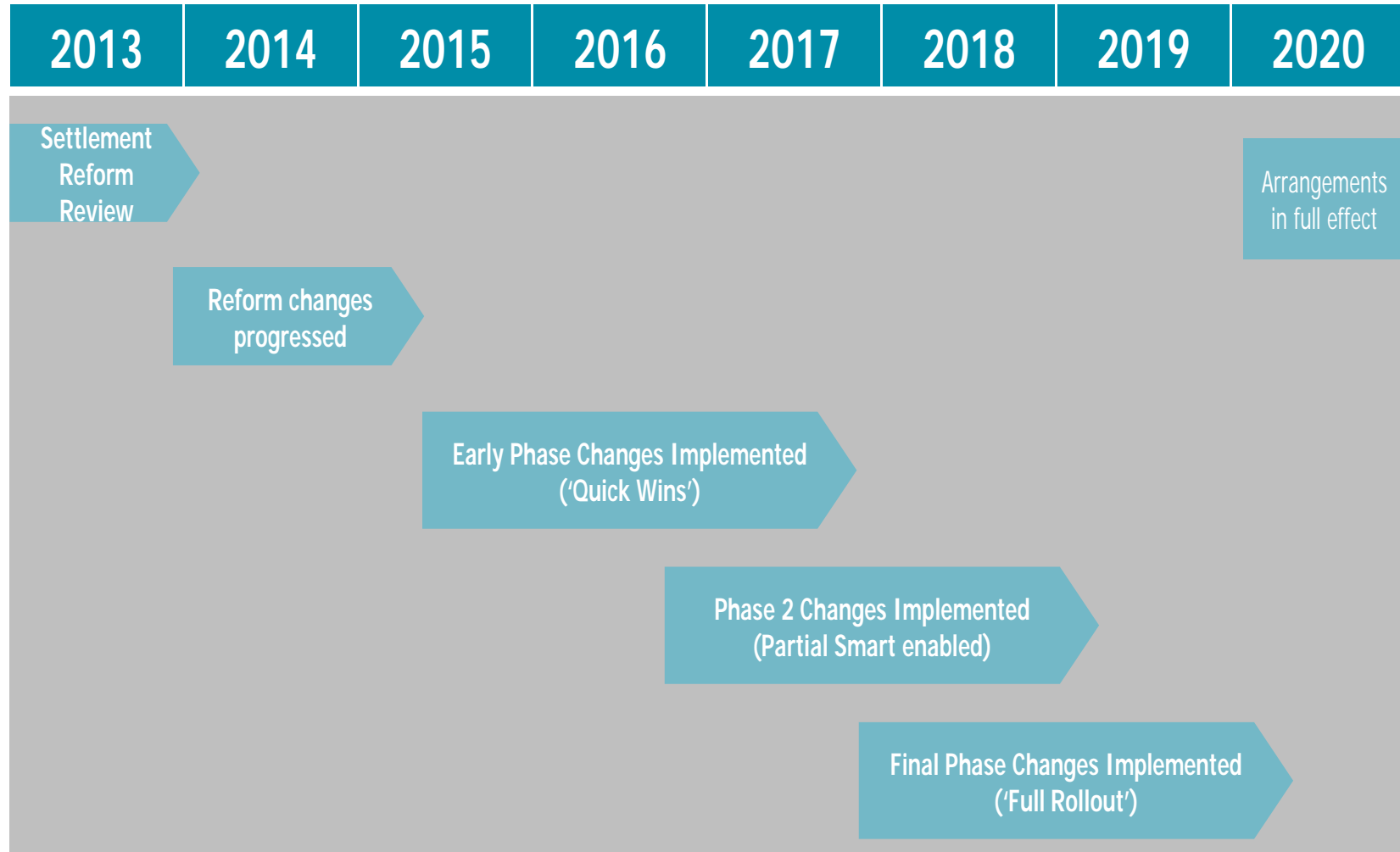
Section 7: Deliverables

- » The Vision for Settlement for 2020
- » Cost-Benefit Analysis (CBA) Model
- » Package of Reform Proposals
- » Implementation Plan & Transition Plan
- » Benefits Realisation plan and Monitoring approach

Section 8: Review



Section 8: Timetable - Reform





Consultation Questions



Consultation Questions (1)

Question 1: Do you agree with the proposed Objectives of Settlement reform?

Question 2: What are the top 3 objectives that Settlement reform should meet?

Question 3: Do you believe any further objectives should be added?

Question 4: Do you agree that the BSC Panel should drive the work on Settlement Reform?

Question 5: Do you agree with the Governance structure for delivering the Settlement review?

Question 6: Can you identify any additional stakeholders missing from the list?

Question 7: Can you propose any relevant bodies that you feel represent particular stakeholder groups?

Question 8: Which engagement tools do you believe are the most appropriate for you and how regular would you expect engagement to occur (e.g. would you expect weekly web updates on progress and quarterly stakeholder seminars)?



Questions (2)

Question 9: Do you believe the review should adopt the 'blank piece of paper' approach?

Question 10: What are the 'Essay' questions the review work should be seeking to answer?

Question 11: Do you agree with the components identified as being **in scope** for review?

Question 12: Do you agree with the components identified as being **out of scope** for review?

Question 13: Do you agree with the list of Key interactions that the review needs to take account of?

Question 14: Can you identify any other Assumptions, Risks or Issues that should be added to the list?

Question 15: Do you agree with the list of deliverables for the review?

Question 16: Do you have any comments on the timetable for review?

Question 17: What are your thoughts on the timing of impact of Settlement review and reform in the context of the wider industry change framework?



Next steps



Next steps

- » Develop detailed Project Plan for Ofgem (Oct-Nov)
- » Panel update (Early Nov)
- » Review Responses (Early Nov)
- » Final Scoping Group meeting (Mid Nov)
- » Develop further iteration of report (End Nov)
- » Submit report to Panel (Early Dec)
- » Issue to Ofgem (End Dec)