

Update on Market-Wide Settlement Reform

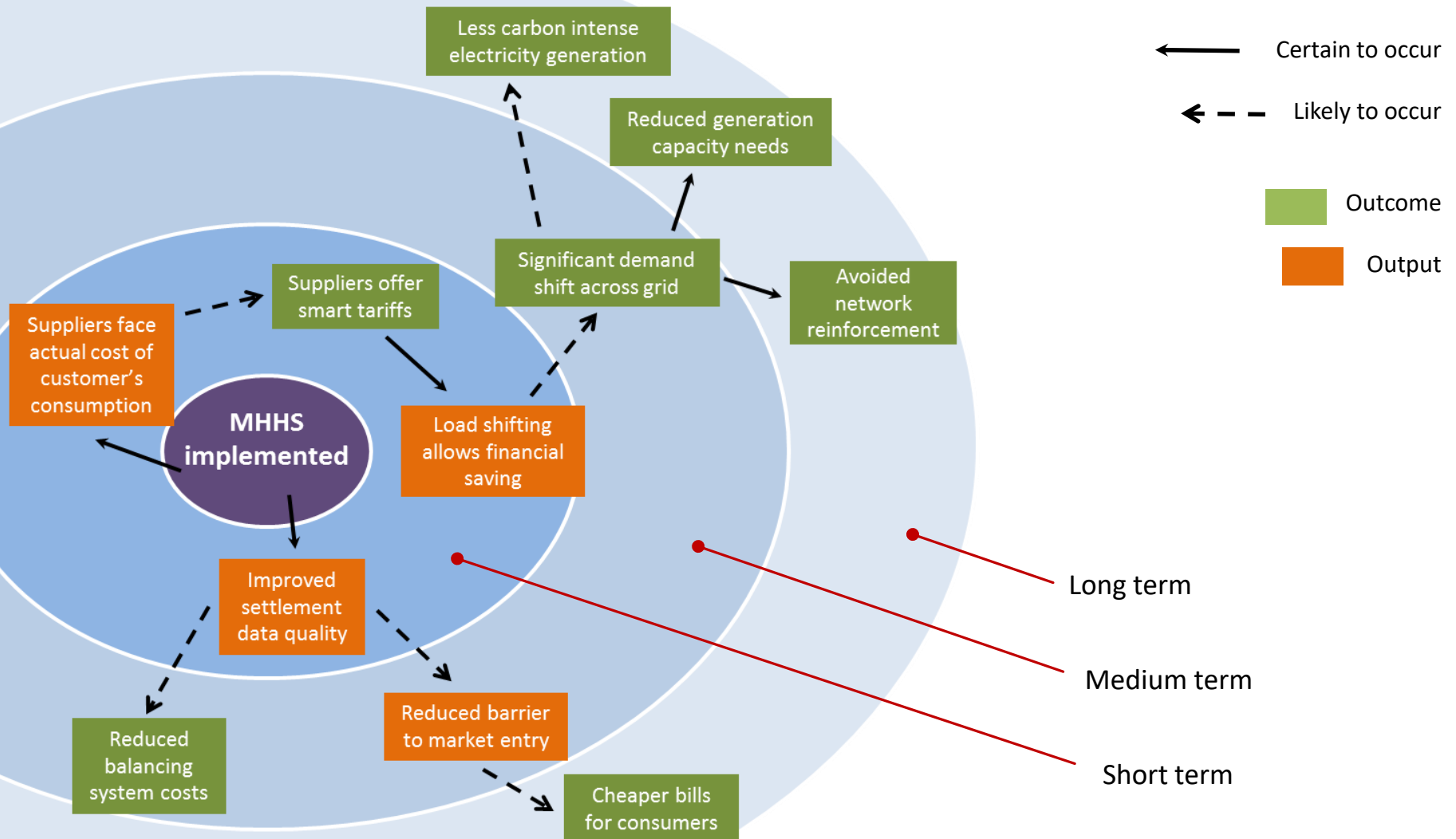
Anna Stacey,
20 December 2017

ofgem

Agenda

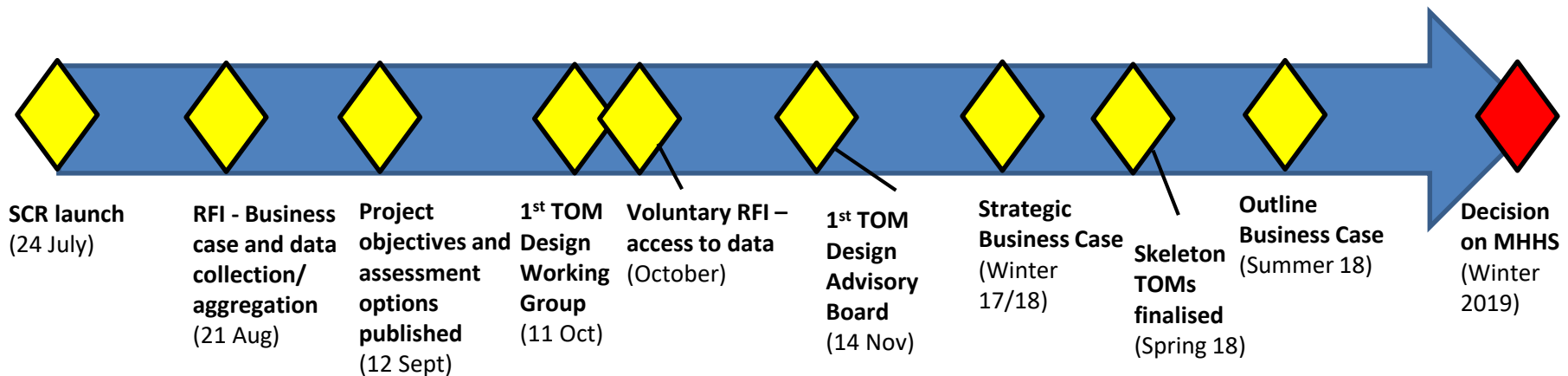
- Project overview
- Business Case overview
- Target Operating Model overview
- Consumers and Policy overview
- How to get in touch with the HHS project team

Realising the benefits



July 2017

Winter 2019



We are following HM Treasury best practice guidance to develop a Business Case based on the 5 Case Model methodology. This will include an economic impact assessment (the Economic Case).

Winter 2017/18

Strategic Outline Case

- Sets out the strategic case for change
- An initial outline of the scope of economic costs and benefits
- Initial thoughts on the other three cases

Mid-2018

Outline Business Case

- High level economic assessment to set out preferred way forward
- Developed thinking on commercial, financial and management cases

2nd half 2019

Full Business Case

- Detailed costing of specific options
- Relies on Target Operating Model work and policy decisions
- Set out plans to manage and deliver reform and the transition to market-wide HHS

See:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469317/green_book_guidance_public_sector_business_cases_2015_update.pdf

- The Target Operating Model (TOM) will set out the transitional and enduring settlement arrangements which will deliver market-wide Half-Hourly Settlement.
- We want to ensure to the TOM is future-enabling and does not impede new technologies and business models. For example
 - Electric vehicles
 - Demand-side response (local and wholesale)
 - Peer to peer trading
- Design of the TOM is being undertaken by an ELEXON led industry working group that will provide design options to Ofgem
- Ofgem will make the decisions on TOM options, with advice from an external Design Advisory Board, consisting of members from industry, innovation, academic and consumer backgrounds

Ofgem is leading on consideration and decision making on the following policy and consumer questions separately from the Target Operating Model development:

Approach on whether or not to centralise functions currently performed by supplier agents

Approach to access to data for settlement

- Access to half hourly data from smart meters is currently on an opt-in basis
- Gathering evidence on full range of approaches

The potential impacts on consumers of market-wide Half-Hourly Settlement and whether any additional protections will be needed as result

If you would like to find out more or be notified of future updates, please go to the HHS website:
<https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement>

Any questions, please email:
half-hourlysettlement@ofgem.gov.uk

Ofgem is the Office of Gas and Electricity Markets.

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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.