

Smarter Markets Programme: Electricity settlement – problem definition workshop

9 July 2013


ofgem

- 14.00 – 14.10** Welcome
- 14.10 – 14.20** Introduction and context
 - Overview of Smarter Markets Programme
 - Overview of electricity settlement project
- 14.20 – 15.20** **Breakout discussion – How can smart metering improve the performance of the settlement arrangements?**
- 15.20 – 15.30** Break
- 15.30 – 16.20** **Breakout discussion – How might longer-term developments in the sector change what settlement needs to deliver to support effective operation of the market?**
- 16.20 – 16.30** Wrap up and next steps

INTRODUCTION AND CONTEXT

Smarter Markets Programme electricity settlement
project

Smart meters
are rolling out



Reform
needed to realise
full customer
benefits



Examining
changes to
settlement
arrangements

Examining
smart
consumer
issues

Improving customer
**change of
Supplier**

Testing current
market
arrangements for
DSR



We aim to have reforms in place as soon as reasonably practicable and by the end of roll-out at the latest

Longer-term objective: Settlement arrangements that use smart metering data to allocate energy in an accurate, timely and cost-effective way

Scope: Supplier Volume Allocation (SVA) arrangements and associated processes (eg performance assurance)

March 2013 open letter:

- Set out way forward on reform
- Informed by BSC Panel report on how it would develop and deliver reform

1. SCOPING THE PROBLEM

- Existing issues
- Future outcomes

2. SCOPING THE APPROACH

- Objectives
- Scope
- Process

Conclude by
end Q1 2014

Our work will provide a robust platform for progressing any reforms

Why do we need to scope out reform?

RISK 1 Drivers of reform are not fully understood

RISK 2 Industry interests may not be sufficiently aligned with those of consumers

Reform does not deliver for consumers

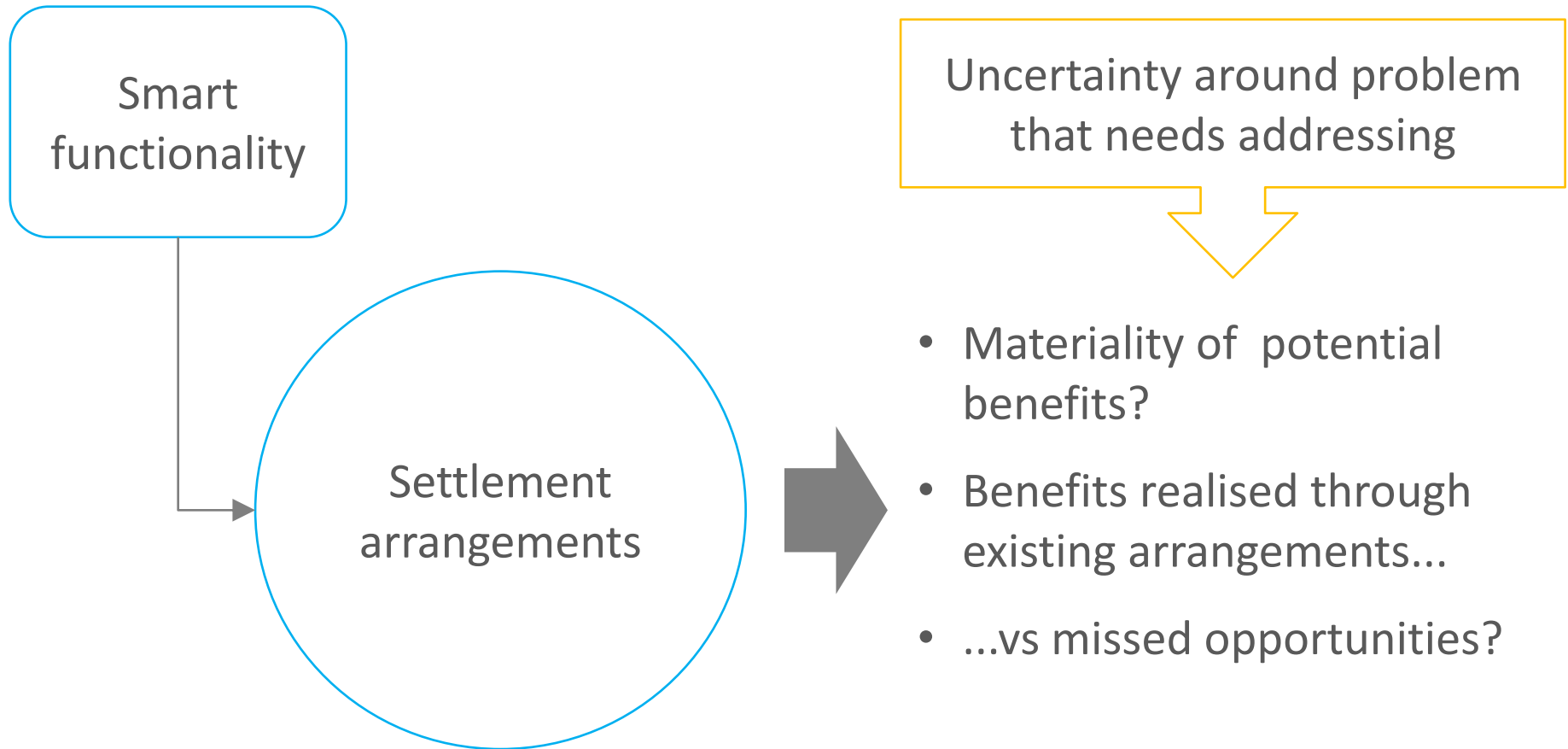
Ofgem is best placed to mitigate both risks by scoping reform

Objective: Identify and discuss the drivers of reform, in the context of our ambition to promote smarter energy markets

- Potential for smart metering to improve the performance of the settlement arrangements
- Potential for the role of settlement in supporting effective operation of the market to change

BREAKOUT DISCUSSION 1

How can smart metering improve the performance of the settlement arrangements?



Settlement designed to allocate energy volumes to suppliers as accurately as possible



Efficient
balancing

Security of
supply

Retail
competition

Efficient
network
management

Effective operation of the market – to the benefit of consumers

How can smart metering improve the performance of the settlement arrangements?

Questions to consider

- What potential benefits can the functionality of smart metering bring?
- Which of these benefits might be most material?
- To what extent are changes required to the current arrangements to realise these benefits?

Each group to identify the top 3 benefits that smart can deliver and to what extent changes required

Discussion: 14.30 – 15.10

Feedback: 15.10 – 15.20

BREAKOUT DISCUSSION 2

How might longer-term developments in the sector change what settlement needs to deliver to support effective operation of the market?

Market
developments

Requirements
on settlement
data

Regulatory
change

Potential examples

- DCC as a new source of consumption data for network charges?
- Uptake of microgeneration may require settlement of export in some form?

How might longer-term developments in the sector change what settlement needs to deliver to support effective operation of the market?

Questions to consider

- What factors might impact on what settlement needs to deliver and why?
- How might this shape any future reforms?

Each group to list factors and explain relevance

Discussion: 15.40 – 16.10

Feedback: 16.10 – 16.20

NEXT STEPS

Opportunities to input to our work

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- July – Sept** Bilateral meetings as necessary to help inform Ofgem analysis on problem definition
(contact smartermarkets@ofgem.gov.uk)
- Autumn** Workshop to present emerging thinking on problem and seek views on approach (*details TBC*)

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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.