**Change Request Form**

## Change Request details

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| Change Request details | | | |
| Change Request Title | Differential Settlement for E7/E10 Meters for Smart Opt-out customers | | |
| Change Request Number | CR015 | | |
| Originating Advisory / Working Group | DAG | | |
| Risk/issue reference |  | | |
| Change Raiser | Graham Wood & Haz Elmamoun (on behalf of the Large Supplier constituency) | Date raised: | 28 January 2023 |

***For further guidance on how to complete this document please see the supporting Change Request Form Guidance for Programme Participants. The guidance will support raising a change and responding to a change request via Impact Assessment. The Change Raiser should consider sharing the draft Change Request Form with impacted programme parties, prior to submission to PMO. The guidance, as well as other key documents are referenced below and can be found via the MHHS website.***

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| Change Request to be read in conjunction with: |
| MHHS Change Request Form Guidance for Programme Participants |
| MHHS Change Control Approach |
| MHHS Governance Framework |
| Ofgem’s MHHS Transition Timetable |

### Part A – Description of proposed change

**Guidance *– This section should be completed by the Change Raiser when raising the Change Request.***

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| Part A – Description of proposed change | |
| **Programme participants are invited to review and impact assess the two options identified within this change request. Feedback on option preference, along with the provision of supporting evidence/rationale from interested parties, will be essential to enable the programme and ultimately the decision-maker(s), to reach an informed conclusion on the way forward.**  **Issue statement:**  Further to discussion during the Design Work-off plan deliberations, it was agreed that this particular design gap would be progressed via a Change Request, to enable the majority of the Work-off plan items to be complete by the end of January 2023.  The issue detailed within this CR is an important Design Gap that needs to be addressed.  An issue has been identified with the Load Shaping for Smart Meter MPANs where the customer has chosen to opt-out. This issue only impacts Domestic MPANs for Active Import. The issue relates to the allocation of peak and off-peak load for customers on Time of Use tariffs such as Economy 7 and Economy 10.  Under the current MHHS design, opted-out E7 and E10 customers will have their consumption profiled against the single load shape incorporating all domestic opt-in smart meters. This would lead to an incorrect skewing of consumption allocation to peak periods at a customer level.  Although the Data Service will be able to access or calculate daily advances it does not have a mechanism to split the consumption between the peak and off-peak.  Analysis provided to the MHHS programme implies that whilst at the portfolio level the overall level of misallocation is low because the single Load Shape is reflective of a typical portfolio, at a customer level there is a material misallocation of energy between Unrestricted and Time of Use demand shapes. For an E7 or E10 customer, a greater proportion of consumption will be settled within the peak period than will be billed to the customer, therefore the marginal cost of supplying these MPANs will make it unattractive for Suppliers to offer these tariffs. Given that for each opted-out E7/E10 tariff customer a supplier gains will result in a margin loss, no supplier would offer competitive tariffs to these customers, and therefore these customers will find it increasingly difficult to switch suppliers or to refix. This is a significant customer impact, and also given that Ofgem data consent rules (outlined under SLC47) provide these customers with the right to opt-out, there is not a justification for this impact.  Modelling suggests that the volume misallocation would result in an impact to gross margin of £35-90 per customer per year. There are currently approximately 1.4m domestic customers on Time of Use tariffs with Smart meters (although this will grow over time as Non-Smart meters are replaced). Assuming an opt-out rate of 10% to 40% there could therefore be 140k to 560k customers impacted by this issue, resulting in a total cost misallocation of £4.9m to £50m per year.  Suppliers with a larger proportion of E7 and E10 customers will incur a greater share of the increased costs and will suffer a net disadvantage. If these customers are on Standard Variable Tariffs they may not be able to avoid these costs as they are not able to force E7 and E10 customers onto other tariffs. (Note that the pricing of these tariffs falls under the Ofgem Price Cap and it is unclear what the outlook for this is beyond MHHS.)  Where a customer has a Traditional meter, there is a process under MHHS for the Data Service to split the peak and off-peak consumption and therefore for the energy to be cost reflective. Therefore there will be a disincentive for the supplier to install a smart meter in these properties because once they are smart the supplier will lose margin for any customer that chooses to opt-out. This goes against the Ofgem’s drive to install Smart meters and contradicts the key principles and objectives of MHHS.  The other side of the issue is that for customers on Unrestricted (single rate) tariffs that have opted out and are profiled against the single domestic load shape, the load shape will include a proportion of customers on Time of Use tariffs (E7, E10 etc). This therefore also leads to an incorrect skewing of consumption allocation away from peak periods. The misallocation results in a transfer of cost from meter points on Unrestricted tariffs to meter points on Time of Use tariffs. For a typical Unrestricted customer, this would result in supplier costs being approximately £10 lower if the customer opts out versus if the customer opts in. This creates a disincentive for suppliers to encourage an opted out Unrestricted customer to opt in, and creates a barrier for new technologies and propositions that depend on HH opt in to exceed this £10 in benefit. Once again this directly contradicts the key principles and objectives of the MHHS programme. | |
| **Description of change:**  Noting the core issue is the misallocation of consumption between peak and off peak periods for the customers in question, a technical solution is proposed to more accurately allocate consumption to the appropriate periods  A number of technical options have been developed by the design team and discussed as part of the Design work-off plan activity. Further to feedback already provided, this CR seeks to impact assess two of these options, previously known as Options 1 & 4, now identified as Option A (previously Option 1) and Option B (previously known as Option 4).  Option A - The Supplier would provide the data service with a split of the energy. The data service would then calculate a daily meter advance and use the fractions to split it into peak and off-peak energy for the data service.  Option B - Unrestricted and Time of Use load shapes would be created to specifically address this issue. This would be achieved through the incorporation of a ‘MHHS Switch Load Indicator’ into the registration system  For completeness, given the negative impact to consumers, the proposers do not believe that there is a ‘Do Nothing’ option. The CR seeks to address the issues flagged within the Issue Statement above.  Please see attached (Attachment 1) a paper entitled *‘MHHS Programme Processing of opted-out smart E7 or E10 MPANs Version 1.2, 28 November 2022’,* which provides background on the Design Work-off plan discussions. Further information on deliberations can be found as part of the Design Work-off plan documents and meetings outputs. | |
| **Justification for change:**  *(please attach any evidence to support your justification)*  As detailed in the Issue Statement, a change is required to mitigate a material negative impact on 140k to 560k customers with Smart meters on Time of Use tariffs who wish to opt-out of HH data sharing.  The proposed changes would mitigate the problem because it creates a mechanism for opted-out customers on Time of Use tariffs to be settled to a peak / off-peak split that reflects their actual usage and is more in line with how they are billed. The result being that the supplier is no longer exposed to unfavourable margins and therefore will continue to offer competitive tariffs for these customers.  Option A ensures the actual peak / off-peak consumption split is preserved within settlement at a customer level and therefore the supplier is no longer exposed to increased cost for these customers as a result of misallocation.  Option B ensures that there is no transfer of cost from Unrestricted to Time of Use customers as a result of the single load shape, by profiling these subsets to distinct load shapes that are reflective of their actual consumption shape. This resolves the customer impact for E7 and E10 customers, but also solves the additional problem of misallocation against Unrestricted customers.  Furthermore, it is expected there will be significant increases in take up of new technologies and propositions in future years, both as a result of MHHS and independently. Many of these such as EVs, Heat Pumps, Battery Storage, and demand flexibility will result in proportionally lower peak consumption and will rely on HH Settlement to pass savings onto customers. Therefore one expects the majority of these customers to be required to opt in to HH data sharing to access these benefits. Over time, this would result in the single Load Shape having much lower peak consumption than a typical Unrestricted customer that is opted-out or has a Non-Smart meter. This will result in a greater and greater misallocation over time that does not net off at a portfolio level. Option B would mitigate this entirely, as separate load shapes would ensure an opted out customer does not receive benefit if opted in customers with demand flexibility propositions change usage shapes. Enabling multiple domestic load shapes would future proof against these expected market changes, and it will be much easier and cheaper to implement this at the current stage than after go-live. | |
| **Consequences of no change:**  *(what is the consequence of no change)*  If there is no change then there will be a material negative impact on 140k to 560k customers. It is expected that no competitive tariffs will be available in the market for these customers that enables them to benefit from reduced peak consumption as suppliers cannot reflect this in settlement. A cost reflective tariff under a single Load Shape would cost the customer £35-£90 more per year.  These customers are entitled to the right to opt out, and this impact was not an intended consequence of MHHS, so there is not a justification for the impact to these customers as a result of MHHS. Therefore, there is not a valid “Do Nothing” option for this issue.  Other consequences of no change include:   * Inaccurate allocation of energy between customers on Time of Use tariffs and customers on Unrestricted tariffs versus the actual consumption shapes of these cohorts. Result is transfer of cost of between £4.9m and £50m per year. * Disincentive for suppliers to encourage E7 and E10 customers without Smart meters to have one installed * Suppliers with a greater proportion of E7 and E10 customers will be at a net disadvantage and may not be able to avoid increased costs for customers on Standard Variable Tariffs. * Beneficial misallocation of energy to Unrestricted opt-out customers means typically these customers are cheaper to settle than their true usage if they were opted-in, and creates a disincentive to offer innovative technologies and propositions to these customers. | |
| **Alternative options:**  *(What alternative options or mitigations that have been considered)*  Consideration was given to the ability of Suppliers to require the provision of half-hourly data by customers where these tariffs exist. The position arrived by Ofgem under the licence condition change for data consent (SLC47) was that the ability for customers to opt-out in this scenario is still valid. Two other options (previously known as Options 2 & 3) did not receive any support during the Design Work-off plan discussions. | |
| **Risks associated with potential change:**  *(what risks related to implementation of the proposed change have been identified)*  Feedback from participants in work groups suggested that dependent upon the solution option selected, there would be a risk that all changes required could not be completed ahead of the current SIT start date. This would be true of any potential change.  The change will however mitigate risks associated with consumer detriment. This issue is by far the largest customer detriment identified as a result of MHHS, was not intentional within the design, and had not been taken into account in the benefits case. There is a risk that this issue could result in negative coverage that could undermine customer support for Smart meters and sharing of half hourly data. | |
| **Stakeholders consulted on the potential change:**  *(Please document the stakeholders, or stakeholder groups that have been consulted to date on this change. The Change Raiser should consult with relevant programme parties in the drafting of the request, prior to submission to PMO).*  Details around the options developed have been discussed in multiple open design forums including BPRWG and DAG.  The issue initially was raised by a member of the Large Supplier constituency. | |
| **Target date by which a decision is required:** | 28th February 2023 |

### Part B – Initial Impact of proposed change

**Guidance *– This section should be completed by the Change Raiser before being submitted to the MHHS PMO.***

***Please document the benefits of the change and to delivery of the programme objectives***

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| What benefits does the change bring |
| *(list the benefits of the change and how this improves the business case)*  Provides the ability for Suppliers to offer competitive tariffs to E7/E10 opt-out customers.  Mitigates negative impact on 140k to 560k customers (estimated at £4.9 -50M p.a.)  Removes the disincentive to not progress the installation of Smart at these premises. |

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| Programme Objective | Benefit to delivery of the programme objective |
| To deliver the Design Working Group’s Target Operating Model (TOM) covering the ‘Meter to Bank’ process for all Supplier Volume Allocation Settlement meters | Whilst the change is a divergence from the TOM as is. The issue has sufficient customer impact that “no change” is not an option. The change enables the TOM to be delivered in a way that does not adversely impact a large group of customers.  The changes result in more accurate allocation of energy at a customer level and therefore represents an improvement on the original TOM to Supplier Volume Allocation and the “Meter to Bank” process. |
| To deliver services to support the revised Settlement Timetable in line with the Design Working Group’s recommendation | None |
| To implement all related Code changes identified under Ofgem’s Significant Code Review (SCR) | None |
| To implement MHHS in accordance with the MHHS Implementation Timetable | None |
| To deliver programme capabilities and outcomes to enable the realisation of benefits in compliance with Ofgem’s Full Business Case | The main benefit is to this objective. The change removes a significant negative that was not captured during the business case and detracts from the benefits. Furthermore, the risk of negative coverage that could result if there was no change would have a far reaching impact on realisation of all benefits by undermining customer support for Smart and HH data sharing. The change may also remove some disincentives to Smart and innovation that would detract from the realisation of benefits (see Consequences of no change). |
| To prove and provide a model for future such industry-led change programmes | The MHHS design was baselined at a point where it was known there were a number of work off items that were yet to be fully incorporated into the design, of which this was one of them. Because MHHS is such a large complex change, it was important to baseline as soon as possible, in the knowledge there would need to be subsequent changes.  The ability to make changes such as this one that mitigate a material issue prove that this “early” baselining is a model that works and allows for important changes to be made after a design has been baselined.  If such changes cannot be made then it suggests this model should not be used in future changes and that parties should not sign off on large changes until such issues have been resolved. |

**Guidance *– Please document the known programme parties and programme deliverables that may be impacted by the proposed change***

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| Impacted areas | Impacted items |
| Impacted Parties | The impact will vary dependent upon the solution option accepted. This may however impact Suppliers, Elexon Central Services, Registration Services and Data Services. |
| Impacted Deliverables | This will impact a number of baselined Design artefacts depending upon solution option selected. |
| Impacted Milestones | Potential impact to SIT start date if functionality is not de-coupled for this milestone. |

**Note *– Please refer to MHHS DEL174 Change Request Guidance for Programme Participants for information on how to score the initial assessment.***

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| Initial assessment - | | | |
| Necessity of change |  | Expected lead time | TBC |
| Rationale of change | Design related | Expected implementation window |  |
| Expected change impact | Low |  |  |

**Guidance *– Please include a reference and link to any additional documentation which the change relates to.***

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| Change Request to be read in conjunction with: | |
| **Title** | **Reference** |
| *‘MHHS Programme: Processing of opted-out smart E7 or E10 MPANs Version 1.2, 28 November 2022* |  |
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### Part C.1 – Summary of Impact Assessment

### Note – *This section will be completed initially by the Change Raiser and then by Programme Participants as part of the full Impact Assessment.*

### *All Impact Assessment responses will be considered public and non-confidential unless otherwise marked. If there are any specific elements of the response (e.g. costs) that are confidential, please mark the specific sections as confidential rather than the response as a whole. The MHHS Programme will publish all Impact Assessment responses and redact any confidential information as noted.*

**Guidance – Programme Participants are required to:**

**Respond with ‘Agree’, ‘Disagree’ or ‘Abstain’, deleting as appropriate. If the respondent agrees, they can provide additional evidence to further support the assessment. If the respondent disagrees or abstains, they should provide a detailed rationale as to why.**

**Add any additional effects that have not already been identified. In doing so, they should provide as much detail as possible to allow a robust assessment to be made.**

**Proceed to Part C.2 for Impact Assessment Recommendation response once completed.**

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| Part C.1 – Summary of Impact Assessment (complete as appropriate) |
| **Effect on benefits**  *Mitigation for Suppliers of an impact of £35-90 per impacted customer. Volume modelling suggests number of impacted customers is circa 140k - 560k customers - as such the impact could be £4.9-50M p.a)*  *The change will remove the customer impacts of the current design, which could restrict customers tariff choices and their ability to switch. It will also ensure there is no dis-incentive to the installation of Smart meters for these customers by providing an alternative option to keeping these customers on legacy meters and tariffs.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. whether there will be an impact on when a benefit will be realised; who will realise the benefit; the extent to which the benefit will be realised.*  *Where possible, contextual information should be included e.g. the benefit will be delayed by X weeks; the change means Y population will also realise the benefit.* |
| **Effect on consumers**  *Ability for the provision of competitive tariffs for impacted customers given a solution would enable more accurate settlement at the customer level. The change will remove any detriment to these customers having Smart meters fitted and enable innovations and new propositions in line with the MHHS business case.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. whether there will be an impact on service delivery to consumers; will there be a cost impact to consumers; will there be a choice impact to consumers?*  *Where possible, contextual information should be included e.g. what is the scale of the effect? Will the effect be permanent?* |
| **Effect on schedule**  *Potential impact to SIT start date if all functionality is required by this point. Note this could be mitigated were this functionality be delivered following SIT start and incorporated into later cycles. An early decision on design would also ensure the risks to the timelines are mitigated.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. will the schedule/milestones be directly impacted; will the schedule/milestones be indirectly impacted.*  *Where possible, contextual information should be included e.g. the change will delay the project by X days; the change will require additional resource to complete (though detail resource in resource section); the delay can/cannot be recovered by condensing Y activity.* |
| **Effect on costs**  *Dependent upon the option selected there would be an impact on parties in terms of additional DBT. View would be that this would be low to moderate for impacted parties.*  *Potential impacted parties are Suppliers, DNOs (Registration Service), Elexon Central Services and Data Services.*  *The change request process should consider the options identified and the respective impact on parties as part of the final decision process.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. will the change cause a loss of income; will the change cause additional cost; will the change cause a reprofiling of cost?*  *Where possible, contextual information should be included e.g. whether it is capital or operating expenditure that will be affected; what period costs will be affected in; what the rough order of magnitude of the cost impact will be and if organisation will be able to absorb it?* |
| **Effect on resources**  *Dependent upon the option selected there would be an impact on parties in terms of additional DBT. View would be that this would be low to moderate for impacted parties.*  *Potential impacted parties are Suppliers, DNOs (Registration Service), Elexon Central Services and Data Services.*  *The change request process should consider the options identified and the respective impact on parties as part of the final decision process.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. will there be an impact on tools or equipment; will there be an impact on staff capacity; will there be an impact on staff skills or capability?*  *Where possible, contextual information should be included e.g. the change will require X additional staff for Y period of time; the change requires Z training or support.* |
| **Effect on contract**  *Believe there to be no impact.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. whether there will be an impact on contracts with sub-contractors; whether there will be an impact on contracts with vendors; whether there will be an impact on contracts with regulators/ESO.*  *Where possible, contextual information should be included e.g. the changes will require new contracts to be created; the changes will variations to existing contracts; the changes will affect ability to meet contract requirements.* |
| **Risks**  *Risk that the additional DBT effort required could not be absorbed by parties in order to maintain current SIT start date.*  *Risk that the change may incur additional costs against the impacted participants. These needs to be balanced against the potential annualised costs of the current design and the customer detriment that this design will drive.* |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *Impact Assessment respondents to add supporting commentary to support their selection. Where possible, Impact Assessment respondents to identify and describe any further impacts.*  *Impact Assessment respondents should consider and provide detail of any additional effect e.g. will existing risks be affected; will new risks be created?*  *Where possible, contextual information should be included e.g. the change will affect the likelihood of a risk occurring, the change will affect the impact the risk would have, the change will require additional controls and mitigation.* |

### Part C.2 – Impact Assessment Recommendation

### Note – *This section must be completed initially by the Change Raiser and then by Programme Participants as part of the full Impact Assessment.*

**Guidance – The primary reporting metric of the Impact Assessment is the recommendation response. The consolidated response will be presented to the relevant governance group(s) and decision maker(s) with the totals for ‘Agree’, ‘Disagree’ or ‘Abstain’. As such, please ensure this section is completed before the form is returned to MHHS PMO. Provide detailed rationale and evidence in the commentary field.**

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| Part C.2 – Impact Assessment Recommendation (mandatory) |
| **Recommendation**  *Change Raiser to provide initial recommendation.*  **It is recommended by the Change Raiser the change is approved.** |
| *<Delete as appropriate>:* **Agree Disagree Abstain** |
| *It is felt that the materiality of the issue outlined is sufficiently material as to warrant treatment. It is further felt that a formal process to capture views and impact assessments of the options identified is required as part of the process.*  *The proposers do not believe that there is a ‘Do Nothing’ option, as the customer detriment, misalignment of the current design to the MHHS programme objectives and the cost implications mean that this design gaps requires a solution.* |

**Impact assessment done by:** <Name>

**Guidance*: If you are a third party responding on behalf of another Programme Participant, please state this in your response.***

**Impact assessment completed on behalf of:** <Name>

### Part D – Change approval and decision

**Guidance*: The approvals section will be completed by the MHHS PMO once the Impact Assessment has been reviewed.***

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| Part D – Approvals |
| **Decision authority level**  <Based on the impact assessment, state who is required to make a decision concerning this change> |

**Guidance** - ***This section will be completed by the MHHS PMO and Change Owner following the review of the impact assessment and decision reached by the SRO.***

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| Part D – Change decision | | | | |
| Decision: |  | Date | |  |
| Approvers: |  |  | |  |
| Change Owner: |  | | | |
| Action: |  | | | |
| **Changed Items** | **Pre-change version** | | **Revised version** | |
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### Part E – Implementation completion

**Guidance *- This section will be completed by the MHHS PMO at the end of the post-implementation process.***

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| Part E – Implementation completion | | | |
| Comment |  | Date |  |

**Guidance *– The Closure Checklist in MHHS DEL175 Change Log must also be completed by MHHS PMO at this stage.***

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| Checklist Completed | Completed by |
| Yes/No |  |

**Guidance – *This section will be completed by the MHHS PMO at the end of the post-implementation process and should be* used to add any appropriate references of the change once it has been completed.**

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| References | | |
| **Ref** | **Document number** | **Description** |
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