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Dear Cathryn,

ElectraLink's response to Ofgem's 'Request for Information on supplier agent functions'

ElectraLink welcomes the opportunity to respond to Ofgem RFI on supplier agent functions. ElectraLink supports the half hourly settlement programme and welcomes the opportunity to evaluate the role of supplier agents in the half hourly settlement model. Our response to the RFI questions are in Appendix 1 and we are happy for you to make this response public.

ElectraLink is responding in its capacity as the operator of the Data Transfer Service and managers of the Energy Market Insights datahub. This response does not reflect the views of the codes that we administer.

ElectraLink was established in 1998 to provide an independent, secure and low cost data transfer service between UK electricity market participants. The DTS transfers data relating to business-critical energy market processes, including customer switching, settlement, agent management and meter administration. The DTS fulfils the requirement of the Settlement Volume Allocation (SVA) Network used by the Balancing and Settlement Company (BSC) to transmit settlement traffic. Currently, this settlement traffic accounts for approximately 40% of all DTS traffic. ElectraLink has 19 years' experience of providing services to meet this requirement.

As a wholly owned subsidiary of the DNOs, ElectraLink has an obligation to competitively procure the technology and service components of the DTS. ElectraLink provides the DTS under a multi-party agreement, the DTS Agreement (DTSA), governed by a user group with oversight from Ofgem – details of the members of the user group can be found [here](#). The number of users of the DTS and data transferred by the service has increased rapidly over the last 5 years largely driven by new market actors, such as a new entrant suppliers and aggregators. Currently, there are 242 energy market participants connected to the DTS across many areas of the energy market:

Participant type	Number of DTN connections
Distribution	14
Metering	33
Other	34
Tier 1 (Big6)	6
Tier 2 supply	12
Tier 3 supply	123
x-Green Deal	19
Generation	1

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The full cost of setup and operation of the DTS is recovered by ElectraLink from the users of the service on a cost-recovery basis regulated by the Charging Principles in the DTSA. ElectraLink also receives a return on its investment governed by Ofgem. DTS Users are charged a connection fee, data-usage charges and supplier-specific charges. Over the regulatory cycle (5 years), the total costs recovered from DTS Users equates to the cost of providing the service. Annual short-term surpluses and shortfalls may arise as ElectraLink seeks to avoid volatility in DTS charges to users. The average cost for users in 2016 was circa £25k per annum. We foresee the user cost of the DTS reducing as the UK energy industry utilises the DTS to support a greater number of market processes.

In a fast-changing UK energy market, Electralink has already worked with its service providers to evolve the DTS into a scalable service, easy to connect to, supporting multiple file and communication types (including XML) and which operates in near real time. The technology that supports the DTS is currently in the process of being re-procured to enable the DTS to better support emerging industry processes and models. The re-procured DTS will be designed to support multiple areas of industry change including CSS, HH settlement, and DNO to DSO transition. New technology will be considered including web-service access to industry data, and, potentially, blockchain. Re-procurement of the DTS will complete in 2018 with service implementation/transfer completed by 2020.

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ElectraLink plays a key role in connecting a range of parties to the DTS and therefore giving them access to participation in industry processes. We therefore have seen the evolution of the role of the agent since 1998 and feel we should contribute to the debate around the impact on the settlement agency roles.

Thank for you for the opportunity to respond. Should you require any additional information or if you have any questions, please contact me at (Dan.Hopkinson@ElectraLink.co.uk).

Kind Regards,



Dan Hopkinson

Appendix 1: ElectraLink's response to Ofgem's 'Request for Information on supplier agent functions

Question 16: Other Evidence.

Agent competition has been operating since 2000 and has delivered significant benefits to the energy industry in terms of process improvement and cost to serve. The current numbers of agents delivering services are 23 in data collection and 12 in data aggregation. This competition has been delivered by both 'in house' vertically integrated agents and independent agents offering services to a range of supplier customers. Where independent agents have been delivering 'bundled' services (data retrieval, data collection, and data aggregation) the cost of these services has decreased significantly since the opening of the competitive market. There is anecdotal evidence that the price paid for validated readings (including aggregation services) has reduced by over 50% between 2000 and 2010. The savings generated to industry will be in the range of £10m-£20m based on the volume of customers in the NHH settlement regime. This price reduction is a result of commercial tension between providers driving innovation in both process and delivery models. These innovations have included the automation of data processes through the introduction of machine learning and the ongoing delivery of complex data cleansing programmes.

Whilst the majority of price reductions of this magnitude have been delivered by agents offering large scale national services there is also evidence that agents offering smaller scale services can add value to their offering through performance improvements and additional benefits such as retail invoice validation. Niche services are often valued by smaller suppliers and new entrants to the market as they enable a level of customer focus normally reserved for the 'big 6' retailers who can exercise greater buying power.

ElectraLink understands that there may be economies of scale delivered by the introduction of a single central settlement service but we would encourage the programme to assess the ability of a single service provider to feel the commercial pressure to deliver constant innovation and how such a service provider would be compelled to meet the needs of smaller customers and new entrants.