June 2001

Improving Customer Transfers

The Way Forward

Executive summary

Customers and suppliers can both benefit from improvements to the customer transfer process. The processes can be easier and cheaper to operate. Improvements can be made through agreed modification procedures or through evolutionary initiatives implemented at a supplier's own pace. Suppliers can differentiate themselves from competitors by developing new routes to market and offer better services to customers.

Ofgem published a consultation document on "Improving Customer Transfers" in November 2000. This reviewed the processes for enabling a domestic gas and designated electricity customer to transfer between suppliers and proposed a number of ways in which the processes could be improved.

In March 2001 Ofgem published "Improving Customer Transfers – A summary of consultation responses". This document presented a high level summary of the 38 responses received to the November 2000 consultation document.

The majority of respondents considered that the customer transfer process had performed well, and had supported a far greater number of transfers than was anticipated. Customers have a positive view of the transfer process; this was reflected in recent MORI and DTI customer surveys on the performance of the market. A small but significant proportion of customers experience problems that require action to be taken.

There is a generally held view that systems and processes should be improved to reduce costs to industry and provide better services to customers. Improvements include incremental changes to processes and enhanced arrangements for managing compliance with established requirements. However respondents were generally opposed to substantial re-engineering of the systems and processes that support the transfer process, as this would be costly and the benefits would be uncertain.

Way forward

This document clarifies Ofgem's role in managing changes to the customer transfer process, including the principles against which Ofgem will consider the effectiveness of the transfer process and that we shall use to help us assess proposed modifications.

The document also highlights a set of actions and proposals to refine the existing processes that were identified in the November consultation document and were supported by respondents. These include:

- The introduction of robust arrangements for returning customers to their previous supplier following an erroneous transfer developed by Ofgem and energywatch. The Erroneous Transfer Customer Charter identifies what the customer should expect as a minimum level of service in returning them to their previous supplier following an erroneous transfer. The failure of this process causes distress to customers and is responsible for at least half of transfer complaints in electricity and a third of those in gas. Ofgem and energywatch have also set out guidance on the supporting industry requirements, including what will be needed to support interoperability between suppliers and time scales for action. Suppliers are asked to assess their performance against the Charter. energywatch will be requested to provide information on complaints received regarding erroneous transfers to understand whether suppliers are performing in accordance with the Charter. Ofgem will review whether there has been a significant reduction in customer complaints in respect of erroneous transfer in March 2002. If this strategy is not successful, Ofgem will consider imposing relevant standards of service to afford customers the necessary protection.

- Earlier access to data; e.g. the availability of the full metering point administration number (MPAN). Ofgem propose that MRA parties seek to make this data available to suppliers in advance of registration.

- A recommendation that a mechanism be established in gas which allows all or part of the meter read history to be provided to the new supplier, as it is in electricity. This would require a change to be made to network codes through the modification procedures.

- MRASCo have agreed to report on arrangements for ensuring compliance to the MRA. Respondents to the consultation document indicated concern that poor performance by industry parties causes many of the problems experienced by suppliers seeking to transfer customers. If the effective operation of the market is jeopardised by poor performance then Ofgem will consider direct intervention.

- A proposal to change a standard condition of the gas supply licence to remove the right of a supplier to prevent a domestic customer transferring to a new supplier where they have not received a contract termination notice. This will be achieved by a modification to the new gas supplier's licence after these have been commenced, which is expected to be on 1 August 2001.

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1. Introduction

Purpose of this document

1.1 Ofgem published a consultation document "Improving Customer Transfers" in November 2000. This document reviewed the existing processes for enabling a domestic gas and designated[1] electricity customer to transfer between suppliers and proposed a number of ways in which the processes could be improved. In March 2001, Ofgem published a document "Improving Customer Transfers - A summary of consultation responses". These documents are available on the Ofgem web site www.ofgem.gov.uk.

1.2 This document:

- Provides an update on developments since the November 2000 consultation document.
- Sets out Ofgem's role in improving customer transfers and the actions that we intend to take.
- Identifies a number of recommended changes that industry parties should consider.

Background

1.3 Under the Utilities Act 2000 Ofgem has a principal duty to protect the interests of consumers in relation to gas conveyed through pipes and electricity conveyed by distribution systems, wherever appropriate by promoting effective competition. The ability of customers to exercise choice and move between suppliers easily is an important part in ensuring that competition is effective. Ofgem also has concurrent powers with the Office of Fair Trading under the Competition Act 1998.

1.4 The customer transfer process has in general performed well. In both the domestic gas and designated electricity supply markets around 20 million

[1] The term designated refers to premises that are either domestic (supply is taken wholly or mainly for domestic purposes) or premises at which the normal annual consumption of electricity will amount to no more than 12,000 kwh. After the 1/08/01 this term will no longer apply, customers will either be domestic or non-domestic.

customer transfers have occurred. Customers have continued to switch at a rate of around 47,000 a week in gas and 112,000 a week in electricity. The January 2001 MORI report[2] found that over 90% of electricity and gas switchers found the process to be very or fairly easy.

1.5 Although the vast majority of customers have switched without difficulty, a significant number have had some problems; for example with erroneous transfers, final bill disputes, delays in transfer and dual billing. Between April 2000 and March 2001 Ofgem and energywatch received 14,003 gas and 12,070 electricity transfer related complaints. In electricity over 50% of the transfer complaints received by energywatch related to erroneous transfers.

1.6 In response to complaints from customers and market participants about problems experienced in the market, Ofgem initiated the ICT project in spring 2000. In July 2000 Ofgem published a summary of questionnaires conducted on the operation of the market and held an industry ICT forum. Ofgem also conducted a number of one-to-one interviews with key industry players. The ICT consultation document was published in November 2000.

1.7 Since publishing the November 2000 consultation document Ofgem has continued to meet with the industry and interested parties to understand what improvements should be made to the current arrangements for transferring customers. Ofgem and energywatch jointly held a second ICT forum in January 2001 to discuss the November 2000 consultation document. In March 2001 Ofgem published a summary of consultation responses to assist the industry's understanding of how to improve customer transfers. Non confidential responses are available on the Ofgem web site.

1.8 Following the publication of the summary document in March 2001, Ofgem held two meetings of a working group consisting of 7 suppliers, MRASCo and energywatch. The group reviewed the root causes of erroneous transfers with a view to reducing their incidence and considered improving the processes for returning customers who have been erroneously transferred to their previous supplier.

[2] "Experience of the competitive market – the domestic electricity and gas markets: research study conducted for Ofgem by MORI". Published by Ofgem in January 2001

1.9 Ofgem also discussed issues surrounding access to data with the industry in April 2001. This included address data standardisation, making the full MPAN available to new suppliers in advance of registration and the provision of meter read history in gas.

Rationale

1.10 The strategy set out in this paper is consistent with Ofgem's priority on managing the move to competitive supply markets, as set out in the Plan and Budget for 2001/02 and in particular the objective of taking steps to facilitate competition.

1.11 The rational for the ICT Project is set out in the November consultation document. In summary:

- Evidence indicates that the current systems and processes have worked well and have supported a large number of successful customer transfers. Customers generally have a positive view of the transfer process. However, a small but significant number have had some problems.
- The current processes were designed and implemented before suppliers had experience of operating in the domestic market. It is therefore timely to consider the extent to which the experience gained in the domestic markets challenges the original design solutions, and for industry parties to consider the effectiveness of existing arrangements and the potential for change.
- Improving the infrastructure will allow individual industry participants to obtain efficiencies and cost savings that are not currently achievable and which may be passed onto customers.
- Improvements will allow suppliers to reduce process exceptions and complaints.
- Improvements may enable suppliers to exploit new routes to market, enable suppliers to differentiate their products and services and obtain competitive advantage.

- Industry parties are operating to their own commercial objectives, are at different stages of development in their internal business plans and suppliers are in direct competition. It is potentially difficult for individual companies to achieve even small changes to the industry transfer process infrastructure where this requires industry consensus. It is therefore appropriate to consider the ability of companies to make changes.

- An improved customer transfer process with a reduced scope for problems will require less regulatory intervention.

Other developments

1.12 Since the November 2000 consultation document there have been a number of initiatives that require changes to the customer transfer processes.

1.13 The ICT consultation document referred to developments that were designed to support competition in gas metering services and identified that these would affect the transfer process. In particular, Transco intend to separate their metering business from their transportation business which will require changes to their systems and processes. These will in turn impact on the arrangements used by shippers and suppliers for supporting customer transfers. Ofgem intends to consult on the solutions which are being developed by the industry.

1.14 Ofgem intends to consult on the arrangements for competition in metering services in gas including the related industry governance arrangements. Ofgem is also intending to review Network Code governance arrangements.

1.15 In March 2001 Ofgem published a consultation document proposing a strategy for metering. The document acknowledged that there were concerns about the practical problems encountered in electricity with maintaining data quality and in managing data flows which make it difficult for suppliers to manage change of agents and customer transfers. The document asked for views on the proposal to review the operation of the change of agent processes and what the scope of the review should be. The consultation period closed on 25th May and Ofgem is considering respondents' views.

1.16 Ofgem has requested that suppliers consider arrangements that would allow for a customer in debt to transfer to another supplier and for the debt to be assigned to the new supplier. It is expected that a trial will be held later this year, initially in respect of pre-payment customers. For the assignment process to work there will need to be communication between suppliers. Proposals for work-around processes to support this initiative are currently being discussed by an industry working-group.

Structure of this document

Chapter 2 considers the responses to the approaches for making changes set out in the ICT consultation document.

Chapter 3 considers how improvements could be made to the customer transfer process through greater compliance with existing obligations and processes.

Chapter 4 sets out the role of Ofgem in the change process and includes the principles against which Ofgem will consider the merits of proposed changes to the transfer process.

Chapter 5 reviews the causes of erroneous transfers and identifies measures being taken to reduce their incidence. The chapter also outlines the Erroneous Transfers Customer Charter identifying the minimum level of service a customer should be able to expect following an erroneous transfer in returning them to their previous supplier, as well as guidance on the supporting industry requirements.

Chapter 6 reviews the initiatives currently being undertaken by the industry to improve the quality of address data. In particular the attempts to introduce a Standard Address Format into the electricity industry and to improve address completeness in the gas industry.

Chapter 7 highlights a potential change that could increase suppliers access to data, through the publication of the full metering point administration number (MPAN) in the electricity industry and the provision of meter read history to the new gas supplier.

Chapter 8 discusses moves being taken to remove suppliers' rights to object due to insufficient termination notice.

Chapter 9 sets out conclusions and presents further work plans.

1.17 Ofgem's views on other refinements put forward in the November ICT consultation document are set out in Appendix 4.

Views invited

1.18 Whilst only formally requesting views on the erroneous transfers customer charter, Ofgem welcome views on the issues raised in this document. If you wish to comment on any of the issues raised then please write to:

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1.19 It would be helpful if responses on the erroneous transfers charter could be submitted by Friday, 6 August 2001. It is open to respondents to mark all or part of their responses as confidential. However, Ofgem would prefer as far as possible that responses are provided in a form that can be placed in Ofgem's library and on the Ofgem website.

Ofgem contacts

1.20 If you have any questions about the issues raised in this document, then Andrew Wallace (020 7901 7067, andrew.wallace@ofgem.gov.uk) or Joanne Taylor (020 7901 7254, joanne.taylor@ofgem.gov.uk) will be happy to discuss.

2. Approaches to change

ICT Consultation document

2.1 The November 2000 consultation document "Improving Customer Transfers" assessed the industry's performance for managing customer transfers and proposed ways in which it could be improved. The document described the customer transfer processes employed in gas and electricity as:-

- generally performing well, but that there are problems which affect a small but significant number of customers, and;
- expensive to operate and inflexible, particularly in enabling suppliers to offer new services to customers and differentiate themselves from competitors.

2.2 The November document considered that suppliers would seek to develop their systems and processes to find cost savings, develop new approaches to marketing and providing increased customer services. Such developments would require either collective changes to the existing industry agreed processes or changes to permit innovative parallel developments.

2.3 The publication of the ICT consultation document led to a constructive debate across the industry on the effectiveness of the transfer process and how it could be improved. 38 responses to the consultation document were received, many indicating areas where respondents believed action should be taken.

2.4 Although the responses offered a range of diverse views, there were common themes and concerns. This chapter takes into account those responses, sets out Ofgem's view of the way forward and describes Ofgem's role in the change process for amending the customer transfer process.

Views on the approaches to change

2.5 The ICT consultation document set out three approaches to changing the systems and processes to achieve improvements to the transfer processes. These were; re-engineering, evolution and refinement.

Re-engineering

2.6 Re-engineering the defined processes and systems that support competition would involve all industry participants undertaking a collective exercise to design and implement new solutions simultaneously. The advantage to such an approach would be to apply the experience of the operation of the markets to design processes that better met the needs of suppliers and customers as well as harnessing recent technological improvements in data handling.

2.7 Respondents were generally opposed to re-engineering. There was a clear view that the existing processes in both gas and electricity were operating well, although they could be significantly improved. Re-engineering would be costly and the benefits were uncertain. Only Enron Direct considered that such an approach was required, citing the problems they experienced using the current processes and concluding that these could only be resolved with major structural reform.

2.8 Significant benefits would be obtained from reworking existing systems and processes to remove the obstacles that a supplier currently faces in having to fit their business model around inflexible industry processes. However, Ofgem supports the view that currently there is no clear case for a programme for re-engineering the transfer processes in electricity, providing these benefits are accessible to suppliers though other means – for example by establishing a parallel process or through refinements. Re-engineering would be expensive, and would expose some suppliers who may not wish to take advantage of the benefits to significant costs. The industry is currently discussing arrangements to support metering competition in gas that will require changes to industry processes and a review of governance arrangements. Ofgem is intending to consult on these developments in the near future.

Evolutionary

2.9 The evolutionary approach described in the ICT consultation document contemplated industry parties either independently, or in concert with others, adopting new solutions that are capable of interoperating with the existing baseline processes. This approach avoids the need for all parties to make

simultaneous changes and gives suppliers more freedom to establish processes that would differentiate themselves from other suppliers.

2.10 Respondents had mixed views. There was concern that the approach could result in confusion and increased complexity. Others considered that they could get significant benefits from being able to develop new approaches at their own pace rather than depending upon industry agreement to permit collective changes.

2.11 Ofgem agrees with those respondents who in supporting the evolutionary approach said that there may be significant benefit for approaches which would allow a supplier or group of suppliers to develop innovative approaches at their own pace. To ensure that interoperability is maintained between parties, a set of standards for defining data and how it should be exchanged must be maintained, and all parties must be capable of supporting the standard only for interoperability. However, there will be cases where the requirement to support a standard should not be confused with making the use of that standard mandatory. Consenting parties should be free to adopt other methods. Some respondents described proposals as to how this could operate. TXU identified that data exchanges between a supplier and their agents were tightly defined in electricity and restricted innovation.

2.12 A number of evolutionary developments are being taken forward by industry parties;

- The Supplier Agreed Read (SAR) Avoidance process (also referred to as the Box proposal) described in the ICT consultation document is still being developed. Discussions are also taking place in Transco's SPA Workstream around proposals to make changes to Transco's Network Code to deliver similar functionality.

- Solutions for improving data management are being commercially developed by third party service providers.

Refinements

2.13 In the ICT consultation document Ofgem set out a number of potential incremental changes that could be made to existing processes. Both gas and

electricity regimes already have established change mechanisms for dealing with collective modifications. There was general agreement that a number of changes could be made that would offer significant benefits.

2.14 The majority of respondents identified refinements to existing processes that could be adopted. These are further explored throughout the remaining chapters.

Industry Data Manager

2.15 The ICT consultation document discussed the role of maintaining and providing data to industry parties. This role was considered as a specific function potentially being undertaken by third party specialist organisations. The objectives of such an approach would be earlier and easier access to data and clearer roles and responsibilities for data quality.

2.16 Respondent's views were split as to whether the idea of an industry data manager had benefits or would lead to greater complexity. Those who supported the idea saw benefits in a single source of data, better definition of services, independence and opportunities to improve data quality. A greater number of respondents disagreed, fearing increased complexity, reduce reliability and the imposition of higher costs.

2.17 There is potential for third party providers of data services to be developed by industry parties under the evolutionary approach described above. A number of respondents identified commercial incentives for developing such approaches. Ofgem understands that some parties are investigating the benefits of such an approach.

Alignment of gas and electricity processes

2.18 Suppliers are increasingly seeking to blend operational activities dealing with gas and electricity. A number of respondents considered that there would be benefits from aligning time scales for key processes (such as meter reading windows) and utilisation of common communication links. Many of the refinements discussed in Appendix 4 would have the effect of aligning processes e.g. ability to withdraw a registration in electricity or a change of tenancy flag in gas. There is also scope for achieving benefits through the development of

common standards for describing data items (e.g. relating to meter asset details and customer addresses).

3. Compliance with existing processes

Background

3.1 In the November 2000 consultation document Ofgem noted that greater steps could be taken to enforce the obligations that industry agreements placed on market participants and that working practices and codes of practice may need to be tightened.

3.2 The failure of parties to comply with their obligations causes problems for new entrants and increases costs to all parties and customers. Compliance with the industry design baseline and performance by parties to ensure data is accurate and exchanged promptly is necessary as suppliers are to an extent dependent upon the performance of their competitors when managing the processes which support customer transfers. Investment in systems is undermined by the necessity to support higher levels of manual intervention in critical processes. Suppliers regularly report the need to negotiate with other parties to achieve levels of performance, which match or are even below those established in agreements.

3.3 During the roll-out of competition Ofgem played a role in monitoring supplier performance, providing statistical analysis and in some cases intervening to correct poor performance or define processes.

3.4 As the market has developed, Ofgem has reduced its monitoring role and is planning further reductions. Ofgem is also stepping back from direct intervention in defining and enforcing performance and processes. For example Ofgem no longer holds the DCFG/CMRG meeting at which issues surrounding the roll-out of competition were reviewed.

3.5 However, for the market to operate efficiently, there must be a high level of confidence that market participants will perform to agreed standards to ensure interoperability, and that there is a clear framework for dealing with performance that falls below these standards. Additionally, action must be taken to resolve ambiguity in the definition of performance that permits different interpretations by parties that results in operational problems.

3.6 In some cases this can be achieved through competition, for example competition between providers of metering services. Where a supplier can choose agents based on price and level of service, the principle of supplier hub management will be effective. If the performance of agents in managing the change of agent process is inhibiting the development of competition for metering services there will be a case for Ofgem to take action. Ofgem has asked for comments on its proposal in the Metering Strategy document published in March 2001 to review the operation of the change of agent processes.

3.7 Where competition does not exist or is not sufficiently established, market participants are dependent upon other parties complying with their obligations. Ofgem needs to be assured that there are effective mechanisms by which suppliers can expect a standard of performance by other market participants sufficient to support the efficient operation of the market.

3.8 Respondents said that the current processes would be more effective if all parties complied with their existing obligations. Scottish & Southern Energy highlighted benefits from improving data quality. SEEBOARD Energy and Beacon Gas commented that "…areas of weakness that are due to systematic deficiencies need to be distinguished from those that are only experienced in relation to individual suppliers. The identification and resolution of specific problems experienced by individual suppliers should be dealt with on a one-to one basis with appropriate reporting and monitoring in place to ensure resolution". BGT considered that the current processes "..could be improved if all participants performed to the standards required by the current arrangements…". This was a particular issue in electricity, where evidence from the ICT responses and MRASCo's own research indicate varying levels of performance by other parties in respect of their compliance with those obligations. GPU stated that "The policing of the market is very weak and should be improved in order to deliver meaningful performance assurance."

Compliance: Way Forward

Compliance: electricity

3.9 Arrangements for ensuring compliance with the Master Registration Agreement (MRA) have been debated but no clear resolution has been established. There

are routes by which an MRA party can raise problems (for example the Operational Issues Forum or by raising a formal MRA dispute), but these are not sufficiently sensitive to deal with a general degradation in performance levels. Parties to the MRA are obliged by their licences to comply with the obligations of the MRA.

3.10 Given the level of concern about compliance reflected in the responses to the consultation, MRA parties should seek to establish mechanisms that ensure a high level of confidence in the operation of defined industry processes to avoid costly manual intervention. Examples of the types of problems encountered in the operation of the market suggest that they are often caused by weaknesses in management control of processes rather than deficiencies in the design of processes. Examples include problems encountered by suppliers when requesting information from Distribution company MPAS Service Providers, for example new entrants having their data flows rejected due to incumbent parties having failed to update their systems with the latest Market Domain data and the incorrect use of the objection facility. Ofgem considers that the MRA Executive Committee (MEC), working in liaison with the electricity settlement bodies, are best placed to take this forward[3]. Ofgem have requested MEC to consider preparing a report to Ofgem and Industry parties detailing:

- The current arrangements for managing compliance to the MRA and its related documents.
- The arrangements for dealing with cases where MRASCo become aware of deficiencies in a party's performance.
- Proposals for improving the arrangements if necessary.

3.11 Ofgem intend to keep arrangements for compliance in electricity under review. Compliance with the provisions of the MRA is a licence obligation for suppliers and distribution companies. If Ofgem consider that the effective operation of the market is jeopardised by poor performance then direct intervention may be justified.

[3] Schedule 12 of the MRA originally contained a requirement for MEC to establish performance assurance arrangements.

Compliance: gas

3.12 The need to establish arrangements to support metering competition on Transco's network provides an opportunity to establish mechanisms which clearly establish the obligations on parties and the remedies for dealing with non-compliance (for example, there is increasing evidence of concern among gas suppliers over the quality of meter asset data). Ofgem will be consulting on proposals for adapting the customer transfer processes to support metering competition and related governance arrangements. There is scope for considering how these arrangements could be developed in the future to establish robust governance for processes that deal with all Gas Transporters and supplier to supplier issues that support the retail supply and metering market.

4. The role of Ofgem in Improving Customer Transfers

4.1 The ICT consultation document asked for views on the role that Ofgem should play in developing the transfer processes. It questioned to what degree Ofgem should intervene to ensure that changes were made. It indicated that, although it was not appropriate for Ofgem to take the lead in specifying design solutions or a programme of implementation, there may be cases where Ofgem's statutory duties would require intervention.

Ofgem's role

4.2 Ofgem was closely involved in the development of the systems and processes to support customer transfers in preparation for the roll-out of competition. It was appropriate to do so given the timetables for achieving a competitive market and the positions held by industry parties. The framework for the competitive market is now established, as are the mechanisms for modifying the industry agreements that support that framework. In this section we consider, in the context of our principal objectives and duties, the approach that Ofgem might take in assessing particular proposals relating to customer transfers.

4.3 Ofgem has a defined role in modifying industry agreements. In respect of Network Codes, the Settlement Agreement for Scotland (SAS) and the Balancing and Settlement Code (BSC), Ofgem direct whether a modification is accepted or rejected. For the Master Registration Agreement (MRA), Ofgem must consent to a proposed modification in respect of certain provisions (listed in Clause 9.6 of the MRA). In addition, Parties to the MRA may appeal decisions to Ofgem for determination. Appendix 1 describes in more detail Ofgem's role in respect of Network Codes, the BSC and the MRA.

4.4 In considering modification proposals and appeals, Ofgem will take into account its statutory duties. The principal objective and general duties of Ofgem are set out in Section 4AA, of the 1986 Gas Act and Section 3A of the 1989 Electricity Act. Ofgem is required to carry out its functions, including the taking of decisions in respect of industry agreements, in the manner which is best calculated to further the principal objective and to take into account its other

duties. In considering modification proposals and appeals, Ofgem will firstly take into account its statutory duties.

4.5 The principal objective is to protect the interests of consumers in relation to:

- Gas conveyed through pipes, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas so conveyed: and

- Electricity conveyed by distribution systems, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission distribution of supply of electricity.

4.6 In assessing changes to industry agreements, Ofgem is required to take into account the relevant objectives for the code or agreement as set out in licences. These include:

- Standard Condition 7(1) of the PGT licence in respect of Network Code.

- NGC licence condition 7A in respect of the Balancing and Settlement Code.

- Condition 11a (6) of the integrated England and Wales PES licence, Condition 12 (6) of the separated England and Wales PES licence and 8a (6) of the Scottish PES licence in respect of the Master Registration Agreement.

Principles

4.7 The ICT consultation document proposed a set of principles and supporting objectives against which industry could assess whether the transfer process was operating efficiently and effectively.

4.8 In general, respondents supported the proposal to have clear criteria against which modifications to the transfer process could be judged. The principles were supported, with some respondents making proposals to enhance or add additional issues.

4.9 Where Ofgem has discretion in considering proposals, having taken into account its statutory duties and the relevant objectives of industry agreements, Ofgem would refer to these principles to aid in considering the practical implications of particular proposals. In general, innovation that aims to reduce costs and improve services to customers is a feature of a competitive market. Whilst each proposal will be considered on its merits, Ofgem would be likely to support such proposals.

Principles for a customer transfer process

4.10 The original principles are set out in Appendix 2 for information. The revised principles are shown in Table 4.1 and an explanation is provided below.

Control

4.11 Ofgem believe that control in managing the transfer process should rest with the customer's preferred supplier. In the vast majority of instances this will be new supplier who wants to take over the site. However in some instances, such as when the customer has been erroneously transferred, then this will be the original supplier seeking to re-register the customer in accordance with the customer's wishes.

Timing

4.12 Ofgem maintain that a new supplier should be able to take over responsibility for supplying a site with the minimum of notice, potentially immediately. Whilst we acknowledge that immediate transfer may not currently be possible, we consider that reducing the time it takes to transfer a customer is an objective when considering proposals for changing processes.

Developments

4.13 Ofgem agree with the majority of respondents that suppliers should be able to adopt new processes at their own pace. Suppliers should, as far as is practical, be allowed to develop their systems and processes without being constrained by other industry parties, except where required to achieve interoperability. We consider that, where required, an industry minimum baseline should be

maintained to support interoperability, but that where parties agree, they should be able to implement processes operating outside of the baseline.

4.14 A number of respondents expressed concern with one of the proposed supporting objectives for this and other principles. The supporting objective in question was that "Industry agreements should, wherever possible, specify only data items and not the business processes." Several respondents said that there was a need for standard interface arrangements to facilitate communication. Ofgem agrees but considers that, where possible, these should not be mandated if a bilateral agreement is reached, for example, between a supplier and their agent. Ofgem have accordingly modified the supporting objective for this principle and other principles relating to new entrants and regulation. The supporting objective now states that "Industry agreements should specify data items and business processes sufficient to enable interoperability. Wherever possible, parties should be free to vary business processes by agreement."

Customers

4.15 Ofgem consider that it should be clear to the customer what their role is in the transfer process and that this role should be kept to a minimum. For example, where clearly requested to do so, customers should be able to provide a change of supplier meter read. However they should not need to be involved in the mechanics of the transfer process.

New Entrants

4.16 The majority of respondents considered that the transfer process should be as simple and accessible as possible to enable new entrants to the market to operate. Ofgem continues to support this principle.

Regulation

4.17 Ofgem has a role to play in regulating the market, but considers that the level of regulation should be appropriate. We continue to hold that the transfer process should require a minimum level of regulation, and this view was supported by the majority of respondents. energywatch said that it would be inappropriate for Ofgem to withdraw from regulation within the change of supplier process and that there was a clear case for continued active and directional involvement.

Further principles

4.18 As noted in the March 2001 summary of ICT consultation responses, some organisations considered that further principles were required. Firstly, Elexon suggested the inclusion of a principle to reflect the importance of the change of supplier process to the integrity of settlement in electricity. Ofgem consider that the integrity of settlement arrangements is protected through the right of veto that the settlement bodies have in respect of MRA issues and the accreditation of Agents. Ofgem will consider issues relating to settlement as part of our duties to approve changes and to hear appeals on changes to the BSC. Ofgem does, however, consider it appropriate to include a specific principle relating to settlement. This is included in table 4.1 below.

4.19 Second, many respondents suggested that a measure of cost and cost effectiveness should be included as a principle. Ofgem consider that the principles proposed in the ICT consultation document and amended here form the basis of a judgement as to the merits of the effectiveness of and changes to the transfer process. Changes will be discussed as part of the normal industry change management procedures, where issues of cost and implementation will be reviewed by market participants. Ofgem believe that this is where discussions on cost should take place. Where changes are rejected on grounds of cost or otherwise then Ofgem will hear appeals. It should also be noted that Ofgem will carry out its functions in a manner best calculated to further the principal objective to protect the interests of consumers in relation to gas conveyed through pipes and electricity conveyed by distribution systems, wherever appropriate by promoting effective competition, having regard to the need to secure that licence holders are able to finance their obligations imposed by the Utilities Act 2000 and the relevant parts of the Gas Act 1986 and Electricity Act 1989.

Principles	Supporting Objectives
Control A customer's chosen supplier should have control over managing the transfer process.	Data available when needed. Data items to be consistent and accurate.
Timing A new supplier should be able to take over responsibility for supplying a site with the minimum of notice, potentially immediately.	Data available when needed.
Development Suppliers should be able to adopt new processes at their own pace. Industry wide changes to be kept to a minimum. Suppliers should, as far as is practical, be allowed to develop their systems and processes without being constrained by other industry parties, except where required to achieve interoperability.	Current interfaces to be maintained. Service providers to have appropriate incentives to deliver enhanced facilities. Industry agreements should specify data items and business processes sufficient to enable interoperability. Wherever possible, parties should be free to vary business processes by agreement.
Customers The transfer process should be invisible to customers.	Data available when needed. Data items to be consistent and accurate.
New entrants The transfer process should be as simple and accessible as possible to enable new entrants to the market to operate.	Industry agreements should specify data items and business processes sufficient to enable interoperability. Wherever possible, parties should be free to vary business

	processes by agreement. Data available when needed. Data items to be consistent and accurate.
Regulation The transfer process should require a minimum level of regulation.	Industry agreements should specify data items and business processes sufficient to enable interoperability. Wherever possible, parties should be free to vary business processes by agreement.
Settlement The transfer process should enable the accuracy and integrity of Settlement to be achieved.	The transfer process should not unnecessarily impose additional complexity and cost on Settlement.

Table 4.1: Revised principles of a customer transfer process.

Customer management

4.20 Customers could be better advised when problems do occur in the transfer process. Suppliers should note the experience of energywatch in dealing with and resolving customer complaints. Experience suggests that suppliers have the opportunity, through better customer management, to reduce complaints. In its response to the ICT consultation documents energywatch set out the key criteria that they consider are important for both gas and electricity consumers. These are as follows:

Pre transfer	Honest, sensitive marketing that is not confusing nor pushy nor intimidating but provides a clear explanation of what consumers can expect to receive both in terms of price, service and the process of changing supplier
	Clear literature giving accurate comparisons of prices and terms
	Clear explanations about the actions consumers have to perform and when
During transfer	Simple straightforward and largely invisible processes that do not result in hassle for the consumer
	Speedy transfers once a decision to switch has been made
	Supply date synchronised for gas and electricity start dates where consumers need it
	Use of data that is familiar to consumers and which they expect to be used
Post transfer	Companies owning the problems when things go wrong
	Prompt and accurate final and opening accounts

Making Changes

4.21 A number of respondents considered that Ofgem would need to take a central role in driving forward changes to the transfer process. Enron Direct said that "Ofgem should prescribe a design for the transfer process and facilitate the implementation of that solution." They felt that the incumbent industry parties had strong incentives to maintain the status quo. The majority of respondents felt that Ofgem had a role in facilitating changes to the transfer process, in particular where disagreements arose between parties on the way forward. Ofgem also had a role in co-ordinating the differing views held in the market and ensuring fair representation on proposed changes. Other respondents noted that market participants should also drive forward change. British Gas Connections said that they saw Ofgem as providing the catalyst for change, not the force behind it. Utility Link said that most of the proposed changes in the electricity market could be handled by the existing MRA change processes "however Ofgem may have a role to play in ensuring monopoly service providers do not block changes which require actions by them."

4.22 Previously, in relation to specific issues, Ofgem has been asked by parties to help facilitate debate on an issue where they considered that there was risk of industry groups failing to agree - for example the Address Data Working Group or the initiation of the Biscuit[4] project. Generally Ofgem will consider such requests where we consider that we can constructively contribute to the debate.

4.23 Ofgem are conscious that there may be a conflict between the role played in facilitating discussion and that of Ofgem as the appeal body to resolve disputes. Ofgem must not to fetter its discretion in this regard and nothing in this document should be taken as doing so. Each proposal will be considered at the time on its merits.

4.24 Considering the merits of a proposal may require balancing the concerns of parties faced with managing the implementation of changes with the effective operation of the market. For example, a proposal from an industry party to establish a new process to run in parallel to the existing baseline design may require access to data held by incumbent parties. Ofgem would consider the impact on parties in the context of that particular proposal. Ofgem would do so in the context of the principal objective and general duties of Ofgem.

4.25 There is considerable scope for industry bodies to identify and take forward the development of changes to the transfer process. MRASCo has already started a programme of work to consult MRA parties on appropriate developments, including consideration of many of the refinements discussed in Appendix 4. Reviewing the scope and effectiveness of the processes defined through the MRA in this way will ensure the MRA remains responsive to developments in the operation of the market.

4.26 In addition to refinements to existing processes, we have discussed the potential for industry parties to devise evolutionary solutions. The drivers for such initiatives will be reducing costs and suppliers seeking to differentiate their services and marketing routes. A collective industry-wide approach to managing the development of such solutions is likely to reduce the potential for innovation and impede development. Therefore Ofgem does not consider that it is

[4] The Basic Inter Supplier Communication Using Internet Technology (BISCUIT) project facilitates communication between domestic gas suppliers in a standard way for processes such as Returners where suppliers need to communicate and agree data between themselves.

appropriate to establish an overall steering group for managing changes to the transfer process. However industry codes and agreements can not anticipate every development. New proposals which do not neatly fit with existing provisions or require new protocols to be established may need to be facilitated by Ofgem where the scope of existing industry arrangements do not permit them to facilitate change.

Way Forward

4.27 At this time Ofgem considers that there is no requirement to initiate or manage a general programme of change in electricity. There may be issues which emerge from the review of the operation of change of agents (discussed in the March 2001 Metering Strategy consultation document) and the development of agent competition which would require direct action by Ofgem, but our view of the customer transfer arrangements is that they can be significantly improved through the refinements listed in the rest of this document and clear arrangements for ensuring compliance. Parties developing evolutionary approaches for managing customer transfers may achieve additional benefits.

4.28 Ofgem will be consulting shortly on proposals to adopt systems and processes to support metering competition in gas and on the related requirements for industry governance arrangements to manage the solutions.

4.29 There are areas where Ofgem considers that there is a need for intervention in accordance with its functions and statutory duties, in particular to protect customers from poor service, for example in relation to erroneous transfers (see Chapter 5). In these circumstances Ofgem expects to establish objectives for performance rather than defining an industry process.

5. Erroneous Transfers

Background

5.1 An erroneous transfer describes the transfer of a customer to a supplier who does not have a valid contractual agreement with that customer.

5.2 A significant proportion of complaints[5] received by energywatch relate to erroneous transfers. Figure 5.1 shows that from January to March 2001 50% of electricity transfer complaints were "erroneous transfers (data related)" and 17% were due to a "supplier's failure to cancel a contract" which may also lead to an erroneous transfers. In addition, energywatch also receive complaints from customers regarding direct sales. In cases where for example the customer has been mis-sold to them this may result in an erroneous transfer.

5.3 Analysis of gas complaints received by energywatch (see Figure 5.2) shows that between October 2000 and March 2001 around 32% of transfer complaints received were connected to the erroneous transfer of a customer.

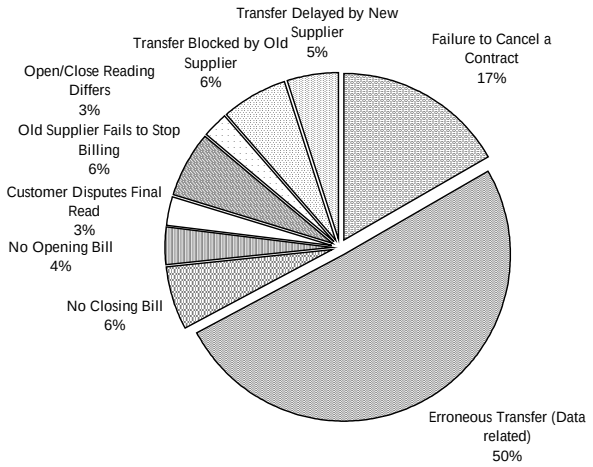

Figure 5.1: Electricity Transfer Complaints January to March 2001 (source: energywatch)

[5] energywatch define Category A complaints as those where the customer has previously contacted the company but has failed to get satisfaction. energywatch formally investigate Category A complaints on the customer's behalf. It is category A complaints which are referred to in this document.

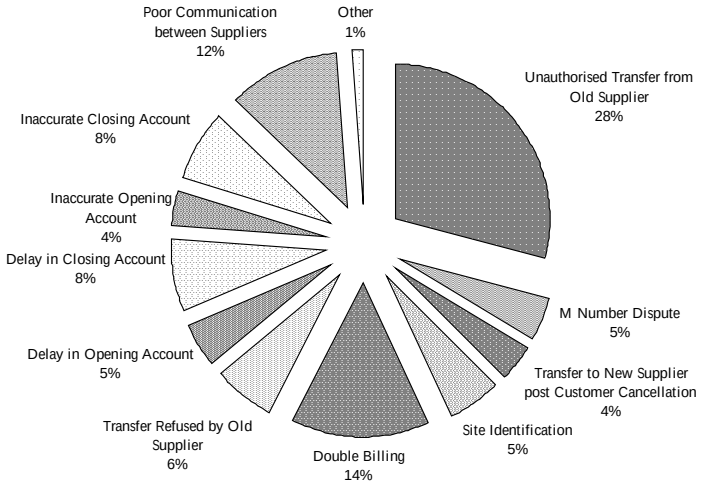

Figure 5.2: Gas Transfer Complaints October 2000 to March 2001 (source: energywatch)

5.4 Suppliers have developed processes for repatriating customers to their previous supplier following an erroneous transfer – "the returners process". In the gas industry these processes are set out in the Domestic Suppliers Code of Practice established under the Gas Forum and Biscuit protocols. The Domestic Suppliers Code of Practice is a voluntary agreement that provides guidance to gas suppliers on how to conduct supplier to supplier transactions. In the electricity industry the returners process relies on Working Practices which are informal bilateral agreements between suppliers, monitored by MRASCo but not enforced under the MRA.

5.5 Monitoring information provided by suppliers (see figure 5.3) indicates that the number of customers who are being returned to their old supplier via the returners process is around 2% of all transfers in the gas and electricity market, but on occasions this percentage has been significantly higher. It is important to note that not all customers who go through the returners process have been erroneously transferred. Suppliers report that a significant proportion of these are in fact "customer service returners" for example where a customer changes their mind outside of the cooling-off window and the suppliers elect to waive the contract.

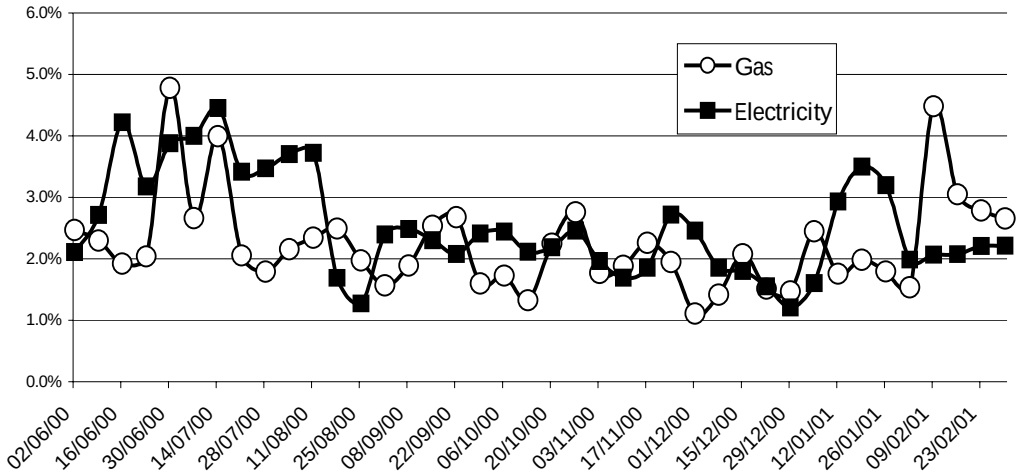

Figure 5.3: Returner rate in the domestic gas and designated electricity market (source: Suppliers)

5.6 Erroneous transfers impose a significant burden on customers in terms of the effort, frustration and distress caused when attempting to resolve the problem. Erroneous transfers are also expensive for suppliers to deal with. Estimates of the cost of dealing with customers who have been erroneously transferred vary considerably between suppliers, ranging from £10 per to several hundred pounds. This perception of cost largely depends on what the supplier has taken into account in their calculation. For example, the cost of an erroneous transfer is likely to be higher where customer compensation, energy charges and processing problems are taken into account. Following two workshops on erroneous transfers held in March and April 2001 it has been estimated that the annual combined cost to the gas and electricity industries of dealing with erroneously transferred customers was approximately £10m to £20m.

ICT Consultation Document

5.7 The ICT consultation document discussed a number of developments for improving customer transfer which had the potential significantly to improve the management and resolution of erroneous transfers, through better availability of data and shortening the time needed for transfers. There was also recognition that there needed to be better, if not mandatory, arrangements for managing the returners process.

Response to the ICT Consultation document

5.8 Respondents to the November ICT consultation document acknowledged the severe impact an erroneous transfer could have for a customer. There was a general view that both the root causes of erroneous transfers and the processes for repatriating customers to their previous supplier needed to be reviewed.

Discussion

Erroneous transfer cause and prevention

5.9 The Domestic Suppliers Code of Practice describes 4 reasons where the returners process can be used. This classification has been adopted as the industry standard. The 4 categories are as follows:

- The incoming suppliers selects the incorrect MPRN / MPAN.
- The incoming supplier has failed to process a customer's cancellation of their contract.
- Where the customer has entered into a contract as a result of misleading information or other fraudulent marketing practice.
- Where the customer is adamant that they did not enter into a contract.

5.10 Suppliers report the causes of returners to Ofgem on a weekly basis. Figures 5.4 and 5.5 summarises this information provided over the last 9 months for the domestic gas and designated electricity markets respectively. This period was chosen as previously different categories were used to clarify returners.

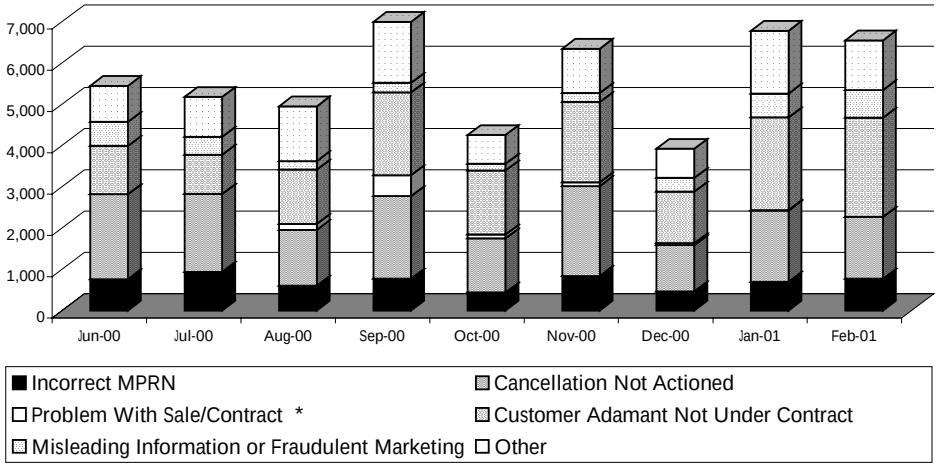

Figure 5.4: Categorisation of returner reasons in the domestic gas market (source: Suppliers)

* Category not used from June 2000 for new returners but some suppliers continued to use it for a short period.

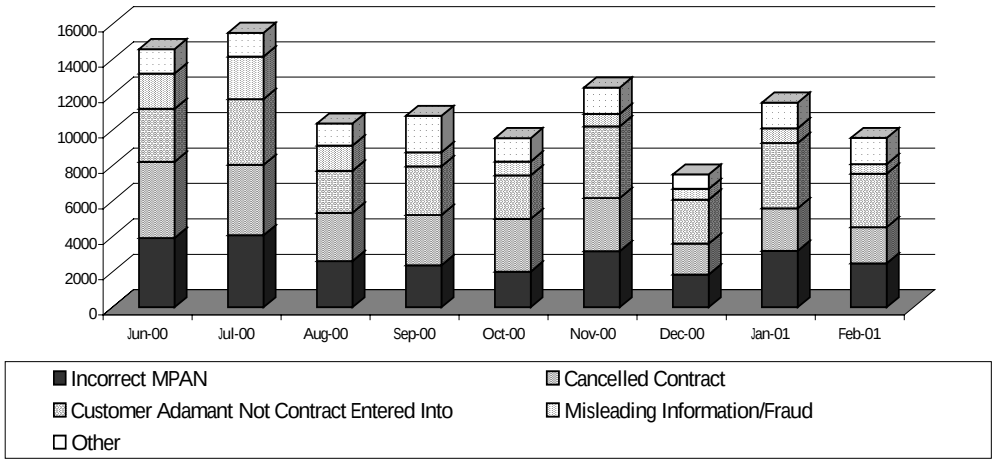

Figure 5.5: Categorisation of returner reasons in the designated electricity market (source: Suppliers)

Incoming suppliers selects the incorrect MPRN / MPAN

5.11 Between June 2000 and February 2001 suppliers reported that 12.6% of gas returners and 28% of electricity returners fell into this category.

5.12 Responsibility for selecting the correct site for transfer rests with the incoming supplier. Where they are unsure about whether they are selecting the correct site from the information provided by the Gas Transporter (GT) / Distribution

company then they should seek further clarification either from the customer (e.g. by asking for the MPRN / MPAN which is printed on customer bills) or from the GT / Distribution company.

5.13 For some supply points, the address information provided by GTs or Distribution companies is incorrect or out of date which will cause suppliers problems in selecting the correct MPRN / MPAN.

5.14 In the gas market there is ambiguity surrounding the accuracy of addresses for multiple meter points at a single postal address, for example where a house has been converted into flats. Suppliers have experienced problems when attempting to distinguish which MPRN should be selected and processed as a customer transfer. Where problems occur for suppliers in identifying the correct site to transfer or where there are data discrepancies then this may lead to an erroneous transfer. Ofgem has instigated the Address Completeness Project in the gas industry, which aims to provide a unique and accurate address for MPRNs on Transco's databases. This is discussed further in chapter 6.

5.15 In the electricity market, problems have been reported concerning the quality of MPAN data and addresses and that they are not provided to suppliers in a consistent format by the 14 PES MPAS systems. This makes it difficult for suppliers to correctly interpret the data provided. A change has been proposed to introduce a standard address format across each of the 14 PES distribution areas. This is also discussed further in chapter 6.

5.16 Transco currently get around 300,000 hits per month on an Internet site. This Internet site provides for gas suppliers and shippers to get access to more up to date information on MPRNs than is likely to be available on the quarterly published CD-ROMs. A number of respondents suggested that an MPAS Internet service for MPANs would benefit the industry through access to regularly updated and accurate data. Ofgem recommends that the electricity industry considers the benefits of such an approach.

The incoming supplier has failed to process a customer's cancellation of their contract.

5.17 Between June 2000 and February 2001 suppliers reported that 28.5% of electricity returners and 30.1% of reported gas returners fell into this category.

5.18 Customers are afforded a 7-day cooling off period where they enter into a contract on the doorstep through the Doorstep Selling Regulations (1987), or via the Internet or over the telephone through the Distance Selling Regulations, which came into force in Oct 2000. Some suppliers may also offer or accept contract cancellations under different circumstances and the Association of Energy Suppliers (AES) recommends a 14-day cooling-off period. Where a customer cancels their contract under the terms of their contract or legislation then an erroneous transfer will occur when the supplier does not act upon this and either registers the customer or, where they have already made the registration, they do not cancel the registration where there is potential to do so.

5.19 Suppliers report problems in matching customer cancellations to the contract itself. In some instances for example, the contract may still be with the doorstep selling agency and there is potential for the customer to provide their cancellation to many different contact points within a supplier.

5.20 Ofgem recommend that suppliers include a unique reference number on contracts and cancellation forms which allow them to be more easily logged, maintained and matched by suppliers when customers contact them to cancel the contract. Ofgem and energywatch also recommend that customers are able to cancel their contracts by telephone or in writing and that supplier literature makes its clear how the customer should contact the supplier.

5.21 The ICT consultation document made reference to introducing the functionality for electricity suppliers to be able to withdraw registrations (as already occurs in the gas market). There was wide support for this and Ofgem recommend that the electricity industry consider implementing this functionality.

Where the customer has entered into a contract as a result of misleading information or other fraudulent marketing practice.

5.22 Between June 2000 and February 2001 suppliers reported that 10.6% of electricity returners and, 6.8% of reported gas returners fell into this category.

5.23 The primary cause of erroneous transfers in this instance is the behaviour of agents selling on behalf of energy supply companies, for example persuading customers to sign contracts on the pretence that it is "for information only" and fraud.

5.24 This area has been extensively reviewed and a marketing licence condition introduced into the gas and electricity licences in 1998. In January 2001 the marketing licence was reviewed and updated.

Where the customer is adamant that they did not enter into a contract.

5.25 Between June 2000 and February 2001 suppliers reported that 31% of electricity returners and 29% of reported gas returners fell into this category

5.26 This category is used in instances where the supplier believes that they have a contract with the customer but the customer does not believe this to be true. This could potentially result from each of the above 3 categories or it could be that the customer has changed their mind either independently or as the result of winback activity. Ofgem considers that this categorisation is potentially ambiguous and requires additional clarification and recommends that the gas and electricity industries include this in a review of the returner categories.

Other

5.27 Suppliers also use the category of "Other" when reporting returners. Ofgem has previously issued guidance suggesting that this categorisation should only be used in clear circumstances where the categories above are inappropriate. However, in electricity 14.2% of cases fall into this category and in gas 19.5% of cases were reported as "Other" by suppliers between June 2000 and February 2001.

5.28 Suppliers have indicated that the majority of these relate to cases where customers have changed their minds and suppliers are trying to offer a customer service to prevent complaints and return them to their previous supplier. Suppliers have also suggested that these "customer service returners" are reported under the category "Where the customer is adamant that they did not enter into a contract". Ofgem consider that the categorisation of returners must be clear so that work can be effectively done to focus efforts on the causes of the "real" erroneous transfers to drive down their frequency. Ofgem recommend that a further category setting out where the returners process is being used to facilitate customers being transferred back to their previous supplier where they have changed their minds should be established.

Way forward

Erroneous Transfer Customer Charter

5.29 energywatch in their response to the November consultation document said that one of the main sources of problems for customers was "the inability for consumers to be transferred back immediately to their previous supplier without disruption to their account, where the transfer has been made in error". There was general support from respondents for improving the processes for repatriating erroneously transferred customers.

5.30 It is unlikely that, without significant re-engineering of the transfer process, erroneous transfers and the need for a returners process will be eradicated. It is therefore imperative that the industry processes for dealing with customers are robust and operate to the satisfaction of the customer.

5.31 Ofgem and energywatch have developed an Erroneous Transfer Customer Charter which sets out our views on the minimum level of service that a customer should expect when it is identified that they have been erroneously transferred. This charter is set out in Appendix 3.

5.32 For the erroneous transfer to be resolved with the minimum impact on the customer then both the supplier who erroneously transferred the customer (the new supplier) and the previous supplier must co-operate. The efficiency of this interoperability is dependant on a number of issues such as communication,

agreed time scales for data processing and re-registration and the ability of each supplier to explain with some confidence to the customer how the issue will be taken forward to resolution. Ofgem and energywatch consider that the processes for returning customers to their old supplier following an erroneous transfer require industry agreement. Ofgem and energywatch have accordingly set out in Appendix 3 our view of the industry arrangements that may need to be in place to support and facilitate the Erroneous Transfer Customer Charter.

5.33 Ofgem considers it appropriate for the industry to review its processes for returning customers to their old supplier following an erroneous transfer against the guidance provided in the Erroneous Transfer Customer Charter and the supporting industry requirements. Appropriate changes should then be made to incorporate new ways of working, where required, into industry codes of practice such as the Domestic Gas Suppliers Code of Practice and the Master Registration Agreement and associated Working Practices.

5.34 Ofgem intends to review whether there has been a significant reduction in customer complaints in March 2002. To the extent that the level of complaints from customers and suppliers continue and the industry does not make appropriate changes to its agreements or these agreements are not adhered to, then Ofgem will consider the regulatory measures available to improve the operation of processes for returning erroneously transferred customers to their previous supplier. These measures may include introducing standards of performance or proposing an amendment to Standard Licence Conditions of gas and electricity suppliers.

5.35 The Utilities Act 2000 allows Ofgem to set guaranteed and overall standards of service for electricity distributors and electricity suppliers, and gas transporters and gas suppliers. These standards will be contained in secondary legislation which must be approved by the Secretary of State. Once approved, the standards will be 'laid down' by Ofgem through a statutory determination. Ofgem are also empowered to propose modifications to the standard licence

conditions. The rules for the collective modification of licence conditions were consulted on by the DTI[6] in April 2001.

5.36 Ofgem invites comments on the Erroneous Transfer Customer Charter and the supporting industry requirements set out in Appendix 3 by Monday 6 August 2001. In particular comments are requested on:

- **whether it is appropriate for Ofgem and energywatch to establish an Erroneous Transfer Customer Charter and provide guidance on the industry supporting requirements, and**
- **the content of the Erroneous Transfer Customer Charter and supporting industry requirements.**

5.37 Once comments have been received and any amendments made Ofgem and energywatch will publish an open letter to all suppliers setting out the revised Erroneous Transfer Customer Charter. The letter will seek confirmation from suppliers that they are able to comply with the charter and, if not, what action they will take to achieve compliance.

[6] Modification of standard conditions of gas and electricity licences by the Gas and Electricity Markets Authority "Collective licence modifications" – A second consultation by The Department of Trade and Industry, April 2001.

6. Quality of Customer Addresses

Background

6.1 Where a supplier enters into a contract with a customer, and the customer does not provide the relevant supply point reference number (MPAN or MPRN), the supplier is dependent on matching the customers address with the address provided by the distribution company MPAS[7] service or Gas Transporter (GT).

ICT Consultation document

6.2 The November 2000 ICT consultation document identified that suppliers encountered problems in matching a customer's address details gained from a customer contract with that recorded in the published data from GTs and electricity distribution company MPAS service. As part of the ICT project a standard address format has been developed. This is available on the Ofgem web site www.ofgem.gov.uk. This chapter describes the progress that has been made in this area and further action that is required.

Views of respondents

6.3 Most respondents supported improving address quality. Many respondents discussed the issue of introducing a standard for address data across both industries and there was general support for this principle. Several respondents were concerned at the cost of making changes and Northern Electric Distribution Limited (NEDL) believed that these costs should in some way be recognised. Several distributors noted that there were problems with adopting a purely Post Office Address File (PAF) compliant standard and said that some improvements could be achieved by suppliers improving their search engines for the MPAN CD-ROMs and from suppliers working with customers to obtain better quality information.

[7]Metering Point Administration Service (MPAS) is the registration service being provided by each Host PES pursuant to Condition 11A of the PES Licence for England and Wales or Condition 8A of Part V of the PES Licence for Scotland.

Developments - Electricity

6.4 In electricity, concern was expressed in spring 2000 at the Operational Issues Forum (OIF) that; 1) there was evidence that in some cases the address data held by distribution companies was not being updated to reflect changes in the Post Office Address File (PAF); 2) that distribution companies did not maintain address data in a standard format; 3) that this increased costs to suppliers and was a cause of erroneous customer transfers. OIF requested Ofgem to chair a working group to consider the issues.

6.5 From summer 2000 to January 2001, Ofgem chaired the MRA Address Data Working Group (ADWG), a sub group of the MRA Development Board (MDB). The remit of ADWG was to rationalise the MPAS address update process and to establish ways of improving the quality of address data held by distribution companies. The group established that one of the main obstacles to the improvement of data quality was the lack of an industry standard format. The MRA does not prescribe the format for how an MPAS operator maintains addresses. MRA product set contains a working practice in which MPAS operators publish their address formats (WP87[8]).

6.6 The ADWG met five times and debated the benefits of introducing a standard address format into the MRA. Briefly, these can be summarised as follows;

- Removal of a potential barrier to entry: Requiring suppliers and distribution companies to search and match customer address data in different formats introduces additional complexity in identifying the correct MPAN.

- Long term gains in efficiency: If suppliers are in a position to search more accurately for metering points using address data, the industry as a whole will benefit as:

    i) A reduction in the number of enquiries to MPAS systems will reduce costs to both suppliers and distribution companies.

[8]MRA Working Practices are not subject to MRA governance arrangements.

ii) A reduction in the number of erroneous transfers, thereby reducing costs to all parties and higher service levels to customers. Suppliers reported that 28% of returners between June 2000 and February 2001 resulted from an erroneous transfer caused by the supplier selecting the incorrect MPAN. This was twice the rate reported in the gas industry.

- Address Update Process: The introduction of a standard format and the rationalisation of the address update process will allow suppliers to identify more clearly when they are in a position to propose a more accurate address than that held by the distribution company. This should lead to higher levels of accuracy in MPAS address data. This will also facilitate identification of metering points that are missing from distribution databases, potentially leading to increases in DUoS revenue.

- Positive impact upon energy settlement: Suppliers may decide to introduce the use of the industry standard in the interface with its supplier hub. The ability of a supplier to transfer a more accurate address to its agents may increase the level of actual meter reads submitted to settlement.

6.7 In addition, the problems experienced by suppliers in identifying the correct MPAN and address may also be experienced by metering agents and new entrants to the metering market. This could potentially affect their ability to compete with the incumbent agent across a number of distribution areas.

6.8 The group consulted extensively on the form that the standard should take and the appropriate words to be drafted into the MRA. The group acknowledged that the standard format could not apply to all metering point addresses, for example non-postal addresses such as telephone boxes or substations. Guidelines were therefore drawn up on how such addresses should be held and transferred. The standard also made provision for an open free text field that would allow companies to hold whatever site specific data they wished to facilitate identification of the correct metering point, for example tenement numbers in Scotland.

6.9 Not all ADWG representatives were receptive to the proposed changes. Certain parties expressed concern at the costs necessary to bring about compliance with the new conditions and possible implementation issues. The group agreed that once the changes had been accepted by the MDB, a new group should be established to consider and discuss implementation issues.

6.10 Following the conclusion of ADWG discussions on appropriate MRA wording and the form of a new MRA Agreed Procedure, MRASCo staff drew up an MRA Change Proposal to be considered by MDB.

Way forward - Electricity

6.11 The Change Proposal is currently progressing through the MRA change control process. If it is successful, an industry group will consider how best to manage implementation of the standard address format.

Developments - Gas

6.12 Ofgem instigated The Address Completeness Project in September 1999, which aimed to provide a unique and accurate address for each Metering Point Reference Number (MPRN) on Transco's databases. The project was initiated in response to concerns raised by suppliers that not all MPRNs were matched against a unique address in the data published by Transco for suppliers on CD-ROMs and also available via an internet enquiry service. For example, in some instances sub premise information pertaining to flat numbers was missing and only the building address was given together with a list of MPRNs for the flats inside. Where suppliers cannot easily locate the correct MPRN, this increases the chance of an erroneous transfer or a delay in the customer transfer.

6.13 The project required suppliers to receive a data extract from Transco which suppliers would use as a means to provide any additional data that could improve the uniqueness of Transco's data.

6.14 In the majority of cases suppliers did not provide significant additional data that would have improved Transco's address data. However, the project identified significant address discrepancies between Transco's version of addresses and BGT's.

Way forward - Gas

6.15 Ofgem has asked Transco and BGT to resolve these discrepancies and to prepare a plan of action to resolve the data issues identified. It is estimated that the work will take 18 months to complete.

6.16 Some IPGTs publish their MPRN number data to licensed shippers and suppliers on demand. Ofgem issued a short consultation on 24 May 2001 in accordance with standard condition 17 of the Public Gas Transporters licence outlining its views on the publication of IPGT MPRN data, proposing that Ofgem directs IPGTs to release their MPRN data as a means to facilitate competition across their networks. It is expected that the consultation will be concluded in July 2001.

7. Access to data

7.1 This chapter reviews a two particular areas where there is potential for improving the access of new suppliers to data;- the availability of the full Metering Point Administration Number (MPAN) for electricity suppliers and the provision of meter read history to gas suppliers.

Availability of the full MPAN

Background

7.2 The full MPAN (also known as the S Number) is made up of a number of data items. Each meter within the electricity market has a unique MPAN so that it can be correctly identified against a site address. The full MPAN is found on customers' bills issued by the incumbent supplier and will also be provided by Metering Point Administration Service (MPAS) to the new supplier when they make a formal registration to take over responsibility for the customer at the request of the customer. MPAS is the central customer registration system operated by each of the 14 distribution companies.

ICT Consultation document

7.3 The availability of data when required by suppliers to support the customer transfer is one of the key supporting objectives for a number of the principles established for the transfer process.

7.4 In the November consultation document Ofgem asked for views on whether more technical information about the meter installed at each site should be published.

Views of respondents

7.5 There was considerable support for the proposal to make the full MPAN number available to suppliers in advance of the registration. Respondents considered that this could be included on the data already published to suppliers on CD ROM or on application to MPAS providers via the Internet. It was however noted that any data protection issues needed to be fully considered.

Discussion

7.6 When a customer chooses to transfer to an alternative electricity supplier then that supplier registers the customer to transfer with MPAS using the core MPAN. The core MPAN does not include all of the information available in the full MPAN (Figure 7.1). It is effectively the bottom line of the full MPAN comprising the Distributor ID, Unique Reference Number and the Check Digit. The MPAS has an obligation under the MRA to provide a quarterly update to all electricity suppliers about the addresses of sites within their area and the core MPAN.

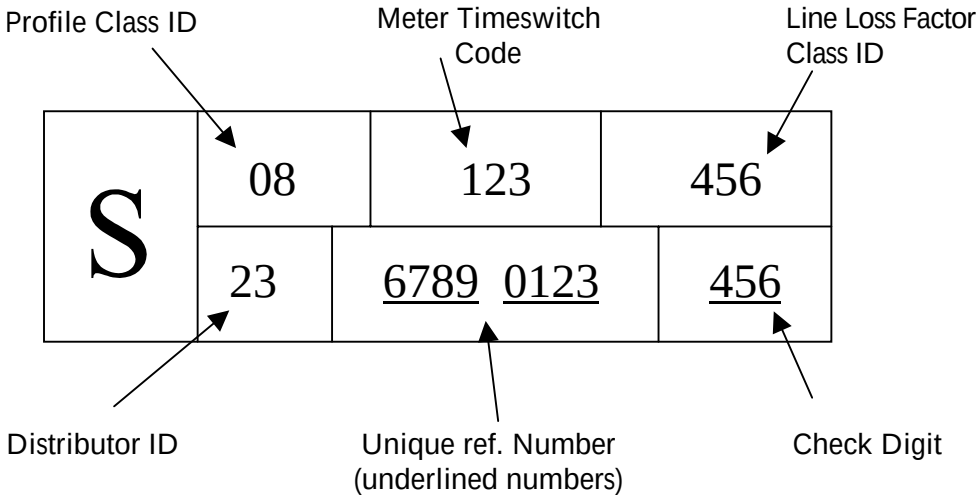

Figure 7.1 The Full MPAN

7.7 The core MPAN does not include the Meter Timeswitch Code (MTC). The MTC describes the technical capabilities of the meter and an indication of the tariff. Suppliers have argued that only finding out about the meter technical capability after registering the customer does not allow them to correctly manage a customer's transfer. In some instances the customer's meter may have supply arrangements which the supplier cannot support (e.g. three rate meters for night storage heating systems). Where the metering arrangements do not match the customer's contract, the supplier may require the meter to be exchanged. Customers who want to retain their metering arrangements must transfer back to their previous supplier. This is both costly for suppliers and frustrating for customers. Some customers are being supplied on a tariff (a preserved tariff) by the incumbent ex-monopoly supplier for historical reasons. These tariffs are no longer offered to customers by the incumbent but are maintained for existing

customers. A preserved tariff may provide better terms than the new supplier is offering as they will have quoted a price comparison on the assumption that the customer was on a standard tariff. Again it is likely that the customer will return to their previous supplier.

7.8 It has also been suggested that the MTC will provide information as to whether the customer's site includes related MPANs. Where not all of the related MPANs are registered to transfer at the same time then the incumbent supplier is able to object. This delays the transfer and customers who become frustrated with the time taken may cancel their supply contract.

7.9 Access to the full MPAN including the MTC in advance of registering the customer will allow suppliers to understand whether customers have in place metering arrangements that are likely to generate problems when attempting to, and transferring, customers, and it will allow them to manage the customer's expectations better.

7.10 Concerns have been raised that the MTC provides personal information about the customer. As the MTC may be used as an indicator as to whether the customer has a prepayment meter then this may for example provide information about the customer such as that they are more likely than a customer using a credit meter to have a debt with their existing supplier. The MTC may therefore be used to cherry pick and selectively market to customers.

7.11 However, the MTC is not a wholly reliable indicator as to whether the customer is using a prepayment device. The MTC is updated to MPAS by suppliers. The MTC codes from which it is possible to derive that the meter may be configured for prepayment only indicate that:

i) either there is a prepayment meter in place which is being used as a prepayment meter or

ii) that that there is a meter in place which can either be used as a credit meter or a prepayment meter but that it is not necessarily being used as a prepayment meter.

7.12 The Information Commission have indicated that the MTC when taken as part of the full MPAN constitutes personal data. They also noted that the core MPAN

was viewed as personal data. This relates to the ability of suppliers to link the MPAN to a particular customer. Customer name data is not released on the quarterly CD-ROMs by MPAS. However the Information Commission have noted that it is possible to use other data sources such as the electoral role to link the MPAN to a customer through their address.

7.13 As personal data, the full MPAN would be required to meet the provisions of the Data Protection Act 1998 including the 8 enforceable standards of data processing. However, initial discussions with the Information Commission indicate that if the full MPAN was required to meet the legitimate interests pursued by suppliers and MPAS then this would lend weight to the view that the data should be made available to the supplier in advance of registering the customer. One supplier has indicated that provision of the full MPAN in advance of registration would smooth the process for around 10% of their attempted transfers.

Way forward

7.14 Ofgem considers that it would be appropriate for MRASCo to establish a working group to review the provision of the full MPAN to suppliers by MPAS and the timing of such provision. The group should consider the benefits of making the change, how the change should be facilitated and whether the proposed change would comply with the Data Protection Act 1998.

7.15 If parties to the MRA consider that provision of the full MPAN is legitimately required to support the change of supplier process and that access to this data is in accordance with the Data Processing Act 1998 then it would be appropriate to seek an amendment to the MRA to facilitate this change. It may also be appropriate to include restrictions in the MRA on the use of the full MPAN to ensure compliance with the Data Protection Act 1998. For example a general restriction could be placed on suppliers, including their third party agents, to only use the full MPAN for their legitimate licensed activity of supplying customers.

Provision of meter reads.

Background

7.16 In the electricity market the old Data Collector (DC) provides information to the new supplier's DC on the last actual meter read and the Estimated Annual Consumption (EAC). This information is provided by the 8th calendar day past the transfer and is used by the new DC to validate the customer's change of supplier read or to produce an estimate.

7.17 In the gas market suppliers do not receive any meter read history when they take over responsibility for a site.

ICT Consultation document

7.18 The ICT consultation document asked whether earlier provision of information to support validation of Change of Supplier (CoS) meter reads, such as the date and value of the last actual reading, the number of dials expected and the annualised consumption, should be adopted. It noted that such refinements had been proposed early in the opening of the domestic gas market, but have yet to be implemented.

Views of respondents

7.19 Respondents were generally in favour of more meter read history being provided earlier in the transfer process. Utility Link noted that "The provision of metering data early in the registration process would aid Suppliers in the customer transfer process. In particular, it could confirm the situation where the customer's information disagrees with that held by the current Supplier on MPAS. The reading history would also reduce the number of disputed reads on change of supplier". TXUE said that "The date and value of the last read or the outgoing supplier's closing read estimate should be made available to the incoming supplier together with most recent estimate of annual consumption (AQ/EAC) at the time of contract signature." Enron Direct said "Public Electricity Suppliers (PESs) and Centrica can access a wealth of historic data acquired during their monopoly franchise period. This gives the incumbents a major advantage in billing customers and, unless positive steps are taken to encourage transparency, they will naturally work hard to safeguard this informational advantage."

Developments

7.20 As noted in the ICT consultation document gas suppliers are attempting to introduce the Supplier Agreed Reads (SAR) Avoidance Process. Several gas suppliers are continuing to develop the SAR Avoidance Process and hope to have it in place by the end of year. A trial (known as Project Gordon) based on the SAR Avoidance process has also taken place within electricity.

7.21 The SAR Avoidance Process aims to facilitate the old supplier providing an estimate for the change of supplier read to the incoming supplier. The incoming supplier would then be able to use the estimate to validate meter reads provided by the customer or use it to prompt the customer into action. Some suppliers have suggested that where they did not have any better information they would like to use the estimated meter read to send to Transco as the change of supply read. Suppliers may also derive benefit from sight of the last actual meter read taken as a means to validate the estimated meter read.

Discussion

7.22 Ofgem consider that there would be benefits to the new gas supplier in receiving as a minimum the last actual meter read when taking over responsibility for a site and ideally prior to the customer transfer. It is possible for this data to be provided by the previous supplier or by Transco. It has been suggested that the quality of estimated reads provided by Transco is less good than that which could be provided by the old supplier. However, it may be preferable for Transco to provide this information than to introduce obligations on the old supplier. The quality of the information likely to be provided to the new supplier should nonetheless be taken into account. Further work may be required to understand whether the quality of meter read history held by Transco is sufficient and if not how it should be amended. Quality meter read history is required by Transco for the purpose of estimate generation, Annual Quantity (AQ) derivation and allocation of Reconciliation by Difference (RbD) charges.

Way Forward

7.23 Transco have been requested by Ofgem to undertake analysis to verify the quality of estimates that they provide to the new and old supplier on change of supply, where a valid actual or customer own meter is not available.

7.24 Ofgem recommend that gas shippers consider making a proposal for a change to network codes to facilitate the provision of meter read history to the new supplier in advance of the transfer to help manage the customer's switch. Consideration should be given as to whether it would be preferable for this information to be sent by the old supplier or Transco.

7.25 Ofgem recommends that electricity suppliers consider amendments to the BSC approved procedures (AP 504) to facilitate the receipt of meter read history, when they require it to manage properly the customer transfer and whether the current timing of this information is correct.

8. Objections

Background

8.1 Suppliers are permitted to prevent a customer transfer from taking place in specified circumstances by raising an objection. These circumstances are set out in the suppliers' standard licence conditions in the case of gas customers; and in the MRA in the case of electricity customers. The two main reasons for raising an objection are customer debt and insufficient contract termination notice.

8.2 All gas suppliers and designated electricity suppliers currently have the right to include in contracts with customers terms that permit the supplier to require notification from the customer of his or her intention to terminate the contract and switch supplier. In the event that the contract with the customer contains such terms and the customer does not give sufficient notice of termination, the supplier may actively prevent a proposed customer transfer from taking place by instructing the GT or Distribution company MPAS that it is "objecting" to the transfer.

8.3 In the domestic gas market the rate of objections grew to over 30% of attempted transfers in October 1999. At that time well over half of the objections in the domestic gas market related to insufficient termination notice (in some cases suppliers were objecting to over 50% of the proposed transfers of their customers to other suppliers).

8.4 Ofgem received complaints from customers and suppliers about the practices of some suppliers in preventing customer transfers and the quality of their procedures in processing termination notices. Many suppliers consider that the operational requirements which both the incoming and outgoing suppliers need to put in place to ensure that termination notices are correctly raised, relayed, recorded and objections raised on the basis of lack of contract termination notice are onerous and expensive to administer.

8.5 Therefore in October 1999 Ofgem initiated an industry trial in which most domestic gas suppliers and designated electricity suppliers volunteered to suspend their right to object for lack of termination notice. Ofgem audited three suppliers who chose not to take part in the trial and found cases where

termination notices were not processed correctly resulting in suppliers incorrectly preventing customers from transferring.

8.6 Following the trial and consideration of the issues raised in the audit, Ofgem concluded that the right of gas and electricity suppliers to prevent customer transfers by raising objections for lack of termination notice was not necessary or desirable in either the domestic or Industrial and Commercial (I&C) gas market or the designated market in electricity. There was no evidence that there had been an increase in the level of erroneous transfers. The existence of these rights and the way they were used was likely to be an impediment to the development of competition. They were not compatible with the interests of customers and the operation of a flexible, competitive market and they should be removed. Ofgem therefore proposed in September 2000 that the right to object for lack of termination notice should be deleted from the Standard Conditions of Gas Suppliers' Licences and that an equivalent change should be made to the MRA.

8.7 By contrast, Ofgem proposed that a supplier's right to object to a transfer taking place with the agreement of the other supplier and to avoid the otherwise erroneous transfer of a customer has been valuable for electricity and gas customers and should therefore be retained in the MRA. This facility should also be formally recognised in the gas market by the amendment of the Standard Conditions of the Gas Suppliers' Licence.

8.8 The vote on a proposed modification to the Gas Standard Licence conditions with regard to the domestic gas market was not successful. This was primarily the result of concerns raised by I&C gas suppliers who, under current arrangements, were incorporated in the vote, and did not support the removal of the ability of a domestic gas supplier to block customer transfers in these instances even though the vote did not impact on their licensed activity.

8.9 There is broad support for the removal of the right to object on grounds of insufficient termination notice from domestic gas suppliers. This support was evident both in the September 2000 vote on the modification to the Gas Standard Licence conditions and in responses to the ICT consultation document.

ICT Consultation Document

8.10 In the ICT consultation document Ofgem asked for views on whether there would be benefits in removing the ability of an incumbent supplier to block the transfer of a customer to another supplier. This change would substantially reduce complexity of both the gas and electricity transfers processes and potentially reduce the time taken for the transfer to be completed.

8.11 Ofgem noted that the electricity registration process included functionality for a new supplier to inform the old supplier that the customer they were registering for transfer had recently moved into the property. This allows the incumbent supplier to avoid objecting to a customer transfer where, for example, a designated customer had moved into a premise and had not entered into a contract with the supplier registered for that site. In such circumstances a supplier would not be permitted to object on grounds of insufficient contract termination notice or, where a bill had not been submitted to the occupier, debt. In the ICT consultation document Ofgem noted the advantages that this facility offered in preventing the incumbent supplier from objecting in inappropriate circumstances and suggested that such an approach may be useful in the gas market.

Views of respondents

8.12 There was broad support from respondents on the removal of the right of the incumbent to object on grounds of insufficient termination notice, apart from Scottish and Southern who argue that objections prevent erroneous transfers in some cases. Several respondents also said that there was value in being able to object on a co-operative basis with the agreement of the other supplier at least until the ability to withdraw registrations in electricity had been implemented. A number also noted that the objection facility is used in electricity for identifying cases where a supplier has failed to register all of the related MPANs necessary for the effective transfer of the customer's supply.

Way forward

8.13 It is Ofgem's intention to seek a modification to the Gas Standard Licence Conditions. The proposed modification will remove a domestic gas supplier's

right to vote on grounds of lack of termination notice and include the ability for suppliers to make co-operative objections. Ofgem will seek this modification when the new licences and modification arrangements[9] proposed by the DTI come into effect. Electricity suppliers are able to propose an equivalent change to the MRA. The change to the MRA could take place in advance of the modification to domestic gas suppliers' licences. The ability of suppliers to object on a co-operative basis already exists in the electricity market.

8.14 A joint industry working group is currently considering arrangements for operating the right to block transfers on grounds of debt and arrangements for assigning customer debt between the old and new supplier.

[9] Modification of standard conditions of gas and electricity licences by the Gas and Electricity Markets Authority "Collective licence modifications" – A second consultation by The Department of Trade and Industry, April 2001. Under the proposed revised voting rules only relevant licence holders, in this instance licensed domestic gas suppliers, will be allowed to vote on changes to their licences. The proposed threshold for licence modifications states that a modification will be blocked if 20% by number of licence holders and market share (for gas supplies this is based on the number of supply points registered) vote against the modification. Where a vote is not received then this will be counted as a vote in favour of the modification.

9. Summary and further work plan

9.1 It is generally held that the transfer process is performing well but that there are a small but significant number of problems affecting customers and suppliers which need to be addressed.

9.2 Ofgem considers that there are significant efficiency gains available to industry participants through improvements to the transfer processes. There is however little appetite for reengineering of processes, and Ofgem does not intend to initiate a major programme of change at this time. However market developments in gas metering require new processes to be delivered to facilitate customer transfers and potentially new governance arrangements to evolve.

9.3 Industry participants may, through the industry change procedures, raise modifications to refine the existing processes. This document describes a number of potential changes which could be initiated, that responses to the ICT consultation document indicate have widespread industry support.

9.4 Industry participants may also seek to develop more efficient processes that offer enhanced services to customers that will operate in conjunction with the existing baseline operations. Such evolutionary approaches would allow suppliers who wish to develop and invest in their systems to do so without being constrained by others who did not wish to progress as quickly. Ofgem considers that the implementation of such developments should be managed through existing change management processes.

9.5 Ofgem agree with many of the views expressed by the industry that improvements to the customer transfer processes could be realised through participants adhering to the existing standards and processes. To that end Ofgem has requested that MRASCo provide a report to Ofgem on the current arrangements for managing compliance with the MRA and its related documents, the arrangements for dealing with cases where MRASCo become aware of deficiencies in a party's performance and proposals for improving the arrangements if necessary. It is also Ofgem's intention to consult on gas industry governance issues in relation to developments in gas metering competition.

9.6 Ofgem has clarified its role in making changes to the customer transfer processes and developed a set of principles to support its statutory duties and functions when assessing the efficient of the transfer processes.

9.7 Erroneous transfers remain the issue which generates the most complaints by electricity customers. The reported number of customers who go through the returners process is currently at least 2%, and at times has been higher. It is not clear whether all of these returners are genuine erroneous transfers or whether some suppliers are using the returners process as a customer service tool. Ofgem recommends that the gas and electricity suppliers review the categorisation of erroneous transfers with a view to implementing changes. Ofgem also recommends that consideration is given to the other measures identified to reduce the incidence of erroneous transfers, such as implementing the ability of electricity suppliers to withdraw their registrations.

9.8 energywatch and Ofgem have set out their views of a customer's requirements when they have been erroneously transferred. This builds on energywatch's views on customer account management. energywatch and Ofgem have also set out their views on the industry processes required to support the Erroneous Transfer Customer Charter. Ofgem have asked for views on the Charter and supporting requirements by Monday 6th August 2001. Ofgem consider that the industry should review its processes against the Charter and supporting requirements to access their suitability. To the extent that changes are not made or adhered to and complaints from customers and suppliers remain then Ofgem will consider other regulatory tools available such as Standards of Performance.

9.9 Ofgem supports industry's continued work to improve the accuracy and consistency of address data in the electricity and gas markets. This work is a fundamental requirement of an effective transfer process. Where this is not achieved then this may lead to delays in customer transfers and erroneous transfers.

9.10 Electricity suppliers have indicated that obtaining access to the full MPAN in advance of a customer transfer would allow them to better manage some customer transfers. Ofgem considers that suppliers should have all of the appropriate information that they require to help them facilitate a smooth and

effective transfer. Ofgem therefore recommends that MRASCo establish a working group to consider the provision of the full MPAN to new suppliers and the timing of such provision. The group should also consider the benefits of any proposals to make this data available, how the change should be facilitated and whether it complies with the Data Protection Act 1998.

9.11 Respondents to the ICT consultation document considered that more meter read history is required by the gaining supplier earlier in the transfer process. In the gas market the new supplier does not receive any meter read history for the customer that they are taking over. In the electricity market the new supplier Data Collector (DC) does receive the last meter read taken, but some suppliers have argued that this information should be available earlier in the process. Ofgem recommends that the industry consider these proposals.

9.12 Ofgem considers the ability of suppliers to block customer transfers where they have not received sufficient termination notice to be an impediment to the smooth operation of the market. Ofgem will propose a modification to the gas suppliers' licences once the new licences have come into force. This modification would also allow a gas supplier to raise an objection on a co-operative basis with the new supplier to mirror current rules in the electricity market. Ofgem also requests that an electricity supplier propose an equivalent amendment to the MRA. This amendment could be introduced prior to the gas supplier licence modification.

9.13 Ofgem considers that there is merit in the industry considering further some of the proposed refinements put forward in the November 2000 consultation document, and has provided comments where appropriate.

Appendix 1 Ofgem's role in Network Code, MRA and BSC Modifications

Modifying Network Codes

1.1 The standard conditions of the Public Gas Transporters (PGTs) licence require each PGT to produce a Network Code and a set of rules by which the Network Code can be modified. A Network Code sets out the arrangements between the PGT and shippers for the use of, and connection to, that PGT's pipe-line system.

1.2 All network codes are required to meet the following relevant objectives as set out in standard condition 7 of the PGT licence:

- (1) the efficient and economic operation by the licensee of its pipe-line system;
- (2) so far as is consistent with sub-paragraph '1', the efficient discharge of its obligation under this licence;
- (3) so far as is consistent with sub-paragraphs '1' and '2', the securing of effective competition between relevant shippers and between relevant suppliers, and
- (4) so far as is so consistent, the provision of reasonable economic incentives for relevant suppliers to secure that the domestic supply security standards are satisfied as respects the availability of gas to their domestic customers.

Transco's Network Code

1.3 Transco's Network Code consists of the Principal Document and the Transition Document. In addition, a number of documents support Transco's Network Code. This section sets out Ofgem's role in respect of the key documents.

Network Code Principal Document

1.4 The Principal Document defines in detail Transco's Network Code. Some sections of Transco's Network Code cover common contractual issues, for example,

termination, dispute resolution. Other sections cover topics which are specific to gas transportation i.e transfer of customers and settlement.

Network Code Transition Document

1.5 The Transition Document includes interim arrangements to support the Network Code which at the time the Network Code went live had not been finalised or agreed. The role of the transitional document has subsided over time, as terms in the Principal Document have come to take precedence over the interim provisions of the Transition Document. The Principal Document gradually becomes the sole definition of Transco's Network Code.

Modification Rules

1.6 The Standard Conditions of Transco's PGT licence require it to define and operate a mechanism to enable the Network Code to be modified. The method of doing this is set out in the Modification Rules. The Modification Rules enable shippers and PGTs to propose changes. Change proposals are circulated to shippers and other interested parties to submit representations to the proposed changes. No change to the Modification Rules can be made without the consent of Ofgem.

UK Link

1.7 Transco's UK Link system is the principal set of IT systems that support the operation of the gas market as defined in the Network Code business processes. It includes the registration system for over 20 million supply points. It consists of the following systems: Supply Point Administration, Invoicing 95, Sites and Meters databases and AT-Link. Transco manages changes to its UK Link system by raising change requests. Change requests to UK Link are generally designed to support the operation of the Network Code. As such, there are no formal industry governance arrangements that sanction modifications and Ofgem does not consent to changes. Transco facilitates the UK Link committee that provides visibility and co-ordination for the implementation of changes. Transco must give a minimum of three months notice if it proposes to implement a change to its file formats or the processes that define the use of file formats.

Role of Ofgem

1.8 The role of Ofgem with regard to the network codes is set out under standard licence condition 7 of the PGT Licence. In addition to the role in consenting to changes to the Modification Rules, Ofgem's main role in the network code process is to decide whether or not to approve (direct) or reject a particular modification proposal. Having followed the consultation process set down by the Modification Rules, Ofgem will direct the licensee to modify its network code if it considers that the proposal will better facilitate the relevant objectives. This is specified in condition 7(8)(b).

1.9 Under standard licence condition 7(6)(f), Ofgem decides whether to allow a modification to follow urgent procedures so that the proposal does not follow the standard modification process. In practice, Ofgem receives a request for a proposal to be treated as urgent from the licensee and provides its response, usually within two days of receiving the request.

1.10 In addition to following the modification procedure as set out in the Modification Rules, the licensee has the option under 7(8)(b) to submit a request for consent to Ofgem for a decision thereby bypassing industry consultation. However, consents are likely to be limited to minor drafting errors or used in emergencies only.

1.11 Ofgem also has a role to play regarding standard licence condition 7(4) approval/disapproval. Under standard licence condition 7(4) there is the opportunity for the Licensee to include reference to this condition in its code, where Ofgem can agree or veto a Licensee decision. Condition 7(4) states that, where it is specified in the network code, the licensee may make a decision regarding a specified issue. It is then up to Ofgem to decide whether this decision better facilitates the relevant objectives, if requested to do so by a party to the Network Code.

Ofgem's role in respect of MRA changes

MRA Change Control

1.12 PES's and second tier supplies are obliged by their licence to sign and comply with the Master Registration Agreement (MRA). Only MRA parties (suppliers and PES distribution companies) are permitted to raise modifications to the MRA.

Ofgem's Consideration and Consent

1.13 There are certain clauses of the MRA that cannot be amended without the written consent of Ofgem. These provisions are listed in Clauses 9.5 of the MRA. When giving consideration to potential changes to the MRA, Ofgem may request the advice and assistance of the MRA Executive Committee (MEC) under Clause 9.6.

Appeals

1.14 An MRA signatory, who voted in favour of a resolution, has a right of appeal. Clause 6.45, states "Where any resolution put to the vote at any meeting of MEC is not passed, MEC shall, if requested by any MEC Member who voted in favour of such resolution ....., appeal the MEC decision to the MRA Forum for its determination." Clause 6.46 allows for appeals to the MRA Forum, by any party, in respect of resolutions that are passed, or rejected, by MEC.

1.15 The MRA Forum will consider appeals in accordance with the procedures outlined above. In the event that a party deems that they will be unfairly prejudiced by a MRA Forum decision, or that it will cause them to breach its licence or the Act, they can appeal that decision to Ofgem. These requirements are identified in Clause 7.30. The MRA Forum is a body established in accordance with Clause 7 and its purpose is to allow all MRA Parties to air their views on any element of MRA business and on any of the matters referred to it by MEC. Meetings of the MRA Forum shall be convened either in response to a referral by MEC pursuant to receipt of an appeal or a requisition from at least 4 parties, or by the Secretary of MEC if a meeting of the MRA Forum has not been convened in the previous 12 months.

1.16 The MRA Forum will vote upon a resolution, and this voting reflects the MEC constituencies. In order for a resolution to be carried, the following criteria must be met.

- More than 50% of the votes cast by representatives of the Service Providers; and
- more than 50% of the Weighted Vote[10] cast by representatives of the PES Suppliers; and
- more than 50% of the Weighted Vote cast by representatives of the Non-PES Suppliers; and
- the vote cast by the BSC representative; and
- the vote cast by the Settlement Agreement for Scotland (SAS) representative

are in favour of the resolution. The only possible amendment to this process is in the event of a constituency group failing to declare an interest in which case they will be excluded from the vote.

Appeals concerning Supplier Entry

1.17 MEC can approve or disapprove a supplier undertaking Supplier Entry Testing in relation to a particular Market Sector, under Clause 11.3. If the supplier is dissatisfied with the decision of MEC they can appeal the matter to Ofgem in accordance with Clause 11.7. However, the supplier is limited to choosing one of five grounds for appeal.

1.18 Clause 11.9 states, in making a determination on the appeal, Ofgem may engage the services of an independent consultant and determine if the supplier should be Approved or Disapproved. Ofgem's decision is final and binding under Clause 11.10. The supplier can not appeal the MEC decision based on appeal rights contained in other parts of the MRA, (i.e. Clause 6.45).

[10] Vote is weighted by the supplier's aggregate number of registered MPANs but with a cap on total weighting of 20%.

Modifying the Balancing and Settlement Code

1.19 The Balancing and Settlement Code (BSC) includes rules and governance arrangements for the Balancing Mechanism and the Imbalance Settlement processes. All licensed electricity generators and suppliers must sign up to the BSC, and other interested parties wishing to trade electricity may choose to sign.

1.20 The management, development and implementation of the BSC is supervised by the BSC Panel. The BSC places an obligation on the Panel to ensure that the provisions of the BSC are given effect: fully, promptly, fairly, economically, efficiently, transparently and in such manner as will promote effective competition in the generation, supply, sale and purchase of electricity. The functions of the BSC Panel include implementing or supervising the implementation of the procedures for modification of the BSC. The role of the BSC Panel is described in section B of the BSC.

1.21 A proposal to modify the BSC can be made by:

- A BSC Party (other than ELEXON or the BSC Clearing Company)
- The Gas and Electricity Consumers Council (energywatch)
- Any other body (representing interested third parties) designated by Ofgem as eligible to make modification proposals.

1.22 The BSC Panel can submit a modification proposal under limited circumstances including on the recommendation of ELEXON, for example where ELEXON receives a change request proposing an amendment to a Core Industry Document which would, if made, have an impact on the BSC.

Ofgem's role

1.22 The main role of Ofgem in the BSC modifications process is to decide whether or not to approve (direct) a particular modification proposal.

1.23 However within the modifications process provisions exist for Ofgem to:

- Consent to a modification being given urgent status and the procedure and timetable to be followed.

- Direct that the BSC Panel does not reject a modification proposal (where previously the BSC Panel had decided to reject it).

- Direct that the Panel does not amalgamate two or more modification proposals (where previously the BSC Panel had decided to do so).

- Direct that the BSC Panel accords a different level of priority to a particular proposal from that set out in the Monthly Progress Report on modifications.

- Direct that the BSC Panel amends the timetable for definition and/or assessment and evaluation of a particular modification proposal.

- Require that additional specified information be included in the Monthly Progress Report to Ofgem.

- Direct or approve an extension to the Implementation Date of an approved modification.

1.24 In addition, there is provision for the BSC Panel to seek the views of Ofgem at certain stages of the modifications process as follows:

- During an assessment procedure, the BSC Panel may consult with Ofgem prior to deciding whether to incur significant costs associated with assessing a modification proposal.

- During an assessment procedure the BSC Panel can choose at any time to commission an interim report from the modification group. The BSC Panel may consult with Ofgem on whether the findings of the report are consistent with Ofgem's provisional thinking on the modification proposal.

- During the Report Phase of a modification proposal, if the BSC Panel is not minded to recommend a modification proposal to Ofgem, the BSC Panel may decide not to commission draft legal text. If this is the case the BSC Panel must consult with Ofgem on whether Ofgem wishes legal text to be included in the final report.

1.25 Ofgem also has the ability to direct the National Grid Company (NGC), in relation to a particular modification proposal or approved modification, to step-in and:

- Be responsible for the modification procedures as per Ofgem's direction.
- Assume the powers, function and duties of the BSC Panel and ELEXON in relation to the modification procedures as set out in the direction.

1.26 Ofgem is entitled to direct NGC to step-in if Ofgem considers that the BSC Panel and/or ELEXON is failing (or is likely to fail) to comply with any material provision of the BSC Modification Procedures and/or the implementation of approved modifications, and Ofgem has given notice to the BSC Panel and/or ELEXON to comply with the BSC Modification Procedures within a specified time period and they have failed to do so.

Appendix 2 Principles for an effective transfer process

2.1 The table below details the principles for an effective transfer process and supporting objectives that were proposed in the November 2000 Improving Customer Transfers consultation document.

Principles	Supporting Objectives
Control A new supplier should have control over managing the transfer process.	Data available when needed. Data items to be consistent and accurate.
Timing A new supplier should be able to take over responsibility for supplying a site with the minimum of notice, potentially immediately.	Data available when needed.
Development Suppliers should be able to adopt new processes at their own pace. Industry wide changes to be kept to a minimum. Suppliers should, as far as is practical, be allowed to develop their systems and processes without being constrained by other industry parties, except where required to achieve interoperability.	Current interfaces to be maintained. Service providers to have appropriate incentives to deliver enhanced facilities. Industry agreements should, wherever possible, specify only data items and not the business processes.
Customers The transfer process should be invisible to customers.	Data available when needed. Data items to be consistent and accurate.
New entrants The transfer process should be as simple and accessible as possible to enable new entrants to the market to operate.	Industry agreements should, wherever possible, specify only data items and not the business processes. Data available when needed. Data items to be consistent and accurate.
Regulation The transfer process should require a	Industry agreements should, wherever

minimum level of regulation.	possible, specify only data items and not the business processes.

Appendix 3 Draft Erroneous Transfer Customer Charter and Supporting Industry Requirements

3.1 This appendix sets out the views of energywatch and Ofgem on:

- The Erroneous Transfer Customer Charter which sets out the minimum level of service that customers should expect following an erroneous transfer;
- The industry arrangements that may need to be in place to support the erroneous transfer customer specification.

Erroneous Transfer Customer Charter

3.2 The following is Ofgem and energywatch's view of the customer's minimum expected level of service following the discovery of an erroneous transfer.

1. *The customer should be able to contact either their previous supplier or the supplier who erroneously transferred them and that supplier should initiate the customer's return to their previous supplier.*
2. *When it is identified that a customer has been erroneously transferred then an appropriately trained representative of the supplier should explain to the customer:*
   - *The action that will be taken.*
   - *When the customer will be transferred back to their old supplier.*
   - *How the customer's billing arrangements will be treated.*
   - *How the customer will be kept informed of progress towards resolution.*
   - *On request, how compensation claims will be dealt with.*
3. *The above information will be confirmed to the customer in writing within 5 working days and where possible will include an explanation as to why the erroneous transfer took place.*
4. *The customer will be transferred back to the old supplier within 28 calendar days of the erroneous transfer first coming to light subject to any disputes that may arise.*

3.3 Ofgem and energywatch ask that the industry review these requirements and adopt them where an alternative is not proposed or a valid reason is not established as to why they should not be adopted.

Supporting industry requirements

3.4 This section describes the supporting industry activity which Ofgem and energywatch consider is likely to be required to comply with the Erroneous Transfer Customer Charter. The following points are aimed at establishing the objectives and facilitating processes by which suppliers should manage the return of erroneously transferred customers. In summary:

- The main consideration for a supplier should be that any disruption to the customer as a consequence of an erroneous transfer is minimised.
- The customer should only have the minimum role to play in the mechanics of the transfer process.
- Where the customer discovers that they have been erroneously transferred they should be able to contact either their old or new supplier. They should have clear information from both suppliers involved that provides contact details.
- The supplier that the customer contacts regarding the erroneous transfer should be empowered to resolve the erroneous transfer and should own the problem until it is resolved to the customer's satisfaction.
- Where the new supplier discovers the erroneous transfer then the customer should be notified immediately.

ICT Principles

3.5 The processes operated by suppliers to return customers to the supplier of their choice (the previous supplier) following an erroneous transfer should be consistent with the relevant principles for customer transfers identified in chapter 4. Namely:

- The transfer process should be invisible to customers.

- The customer's chosen supplier should have control over managing the transfer process.

- A supplier should be able to take over responsibility for supplying a site with the minimum of notice, potentially immediately.

Contact Points

3.6 Suppliers should provide clear literature on how customers should contact them.

3.7 The customer should be able to contact either their previous supplier or the supplier who erroneously transferred them and that supplier should initiate the customer's return to their previous supplier.

3.8 Supplier's customer facing staff who deal with erroneous transfers should be sufficiently trained and empowered to facilitate the customers return to their chosen supplier. Suppliers should consider whether it is appropriate for them to train fully all of their customer staff to deal with erroneous transfer enquiries from customers or whether these should be dealt with by a team of specially trained staff.

3.9 The customer should be able to deal with a single point of contact within the supplier that the customer has chosen to resolve their erroneous transfer, who is able to monitor and keep the customer informed of progress towards resolution.

3.10 The supplier whom the customer contacts should make efforts to obtain all of the relevant information from the customer, such as name, address, MPRN / MPAN, meter read, meter serial number etc, so that repeated contact with the customer is minimised.

Interoperability

3.11 Either the new or old supplier should be able to deal with requests from customers to be transferred back to the supplier of their choice following an erroneous transfer.

3.12 To enable information to be passed between suppliers in a timely and understandable way, communications between suppliers should be standardised

and electronic where possible. This will also allow for the easy interpretation of data and potential automation that is also likely to minimise administration costs.

3.13 Suppliers should ensure that, where data is sent to another supplier, that there is confirmation that the data has been received. It is recommended that suppliers agree standard communication mechanisms between themselves for handling returners.

3.14 Suppliers should be aware of how the other supplier will expect to receive data and to whom within the organisation the data should be sent. If required, suppliers should also provide information on whom within a supplier's organisation is responsible for resolving queries and operation issues.

3.15 Although there may be differences in the transfer timescales between the gas and electricity industries, the customer should expect the same experience when initiating the returners process with a supplier. Customers should expect the same experience whether they contact the old or new supplier to initiate the returners process.

3.16 The old supplier will only transfer the customer back with the consent of the new supplier (the supplier who made the erroneous transfer).

Time Scales

3.17 The industry should agree timescales for responses to requests from the new supplier to the old supplier to take back the customer and for other data transactions between suppliers.

3.18 The confirming supplier should use the shortest transfer timescale that they can realistically achieve to bring the customer back.

3.19 Suppliers should initiate the process for returning the customer to their chosen supplier as soon as reasonably practical after being notified of the error by the customer or when they become aware that the customer has been erroneously transferred.

Customer Bills / Meter Reads

3.20 The customer should only be charged for the amount of energy consumed. Suppliers should ensure that arrangements are in place so that they are aware of the meter read which will be used to open and close the customer's account and the customer is not double billed.

3.21 It should be explained to the customer that they will receive a bill from the supplier when they are returned to covering the period of the erroneous transfer. Where possible the customer should not be billed by the new supplier and where customers do receive a bill from the new supplier they should be instructed not to pay. The new supplier should also ensure that any bill follow-up and debt recovery procedures are cancelled.

3.22 It should be explained that the length of time between the customer's request to be returned and the initial transfer might mean that the customer receives a larger bill than normal from their previous supplier. If the customer is content to proceed then they should be returned.

3.23 The previous supplier (whom the customer is returning to) should sensitively manage the payment of the customer's bill upon return.

Industry Governance

3.24 The industry agreements in place to facilitate the customer's return to their chosen supplier should be understood and adhered to by the industry. The industry should consider whether these agreements have sufficient governance arrangements to ensure compliance.

3.25 When problems arise with the of processes to return the customer to their previous supplier then it should be clear how the issue should be escalated through to resolution. Where possible the industry should share best practice.

Monitoring / Categorisation

3.26 To assist suppliers in processing requests for a customer to be returned then the new supplier will seek to categorise the reason for the returner and include this information with the request to the customer's chosen supplier to transfer the

customer back. To the extent that this information, alone or when considered together with other erroneous transfer causes, suggests weakness in the methods, systems or personnel employed or engaged by the supplier or its sub-contractors then the supplier should ensure that all reasonable steps to remedy the situation are taken.

3.27 Suppliers should identify separately cases where a customer was transferred in good faith but had subsequently indicated that they wished to be transferred back to their original supplier.

Compensation

3.28 The supplier who made the erroneous transfer shall provide in appropriate cases for the payment of compensation to customers.

Appendix 4 Further Proposals

Background

4.1 In addition to the proposals discussed in the previous chapters, respondents to the ICT consultation document also expressed their views on a number of the proposed changes identified in that document. Respondents also identified additional areas where they believed changes should be pursued. Where parties have the right to do so then they are free to make recommendations for refinements with the appropriate industry governance bodies. We have also provided our comments on the changes proposed in chapter 5 of the consultation document which have not previously been discussed where we believe that this would be of benefit.

4.2 All of the referenced paragraphs below relate to the paragraph numbering in the November 2000 ICT consultation document.

ICT Consultation document – Proposed refinements

Tighter requirements on metering agents (5.8.1)

ICT Consultation document

4.3 Electricity suppliers have expressed concerns about the service levels they experience in the transmission and management of data items needed to complete the transfer process. The consultation document indicated that this was a contractual matter between suppliers and the incumbent agents, but that the nature of these relationships may make the contracts difficult to manage or renegotiate.

Views of respondents

4.4 Responses suggest a general agreement amongst suppliers for electricity metering agents to improve the quality of service provided. However, there are alternative means by which this can be achieved:

- Greater compliance to current obligations by both suppliers and their agents as defined within the MRA and Settlement Agreements,

particularly the old supplier's agents with whom the new supplier may have no contractual relationship;

- Clarification of process to remove ambiguities in respect of interpretations.

- Modifications to contractual agreements in order to establish appropriate performance standards.

Way forward

4.5 The points above suggest that suppliers are in a position to take action either through industry agreements where clarification is required or through the management of contracts with agents. The processes for **change of agent (5.8.2)** in the electricity markets need to be robust and reliable to give suppliers the ability to change agents where required. Ofgem has raised this issue in the Metering Strategy document and has sought views on the proposal to review performance. Change of agent issues will also need to be taken into account in the work currently being undertaken on gas metering competition.

Data standards (5.8.3)

ICT Consultation document

4.6 The consultation document considered whether there was a need to increase consistency in key data items. Examples given were the tightening of standards for electricity meter technical details; formulation of the Standardised Address Format for metering point addresses; and the development of the Biscuit Project Data Catalogue for communications supporting supplementary processes such as agreed reads and the returners process.

Views of respondents

4.7 Comments from market participants across both industries were supportive. For example, there was support for the introduction of a Standard Address Format in the electricity industry (discussed in chapter 5). In respect of IPGTs, TXUE said "The failure to develop common data standards and systems has given rise to

large costs in manual work arounds and customer dissatisfaction in gaining access to new supply connections and subsequent transfers."

Way forward

4.8 Ofgem consider that the need for well defined data standards, in order to clarify interpretations and increase consistency in key data items is a fundamental requirement of a workable transfer process. There may be merit for industry parties to review the issue of data standards across the gas industry transfer process in the light of the work being undertaken on metering competition. The current work to introduce standard electronic interfaces between supplier/shippers and IPGTs to manage customer transfers should also continue to develop using defined and consistent data standards across these networks (this is further described below).

Removing scope for ambiguous interpretation of working practices (5.8.4)

ICT Consultation document

4.9 The consultation document noted that some of the definitions as documented in the Data Transfer Catalogue (DTC), Codes of Practice and Working Practices have been interpreted by industry parties in different ways. Individual industry participants should be able to develop and interpret processes where they wish to but not at the expense of interoperability.

Views of respondents

4.10 There was general consensus that nationally agreed Working Practices in electricity must be clear and are only beneficial if adhered to by market participants.

Way forward

4.11 MRASCo are currently undertaking an analysis of all Working Practices with a view to determining those that are no longer of relevance to the electricity industry or that can be removed by changes to existing baseline documents. This review of the Working Practice Product Set (WPPS) was prompted by the responses to a recent MRASCo Customer Satisfaction Survey. The majority of the

industry agreed that a reduction in the number of Working Practices would be an advantage. It was accepted that if any work uncovered a process that was not working, a change to that process should be sponsored by an MRA party and progressed under the Issues Resolution Process.

Size, format and location of the key reference numbers (5.8.6)

ICT Consultation document

4.12 Measures to ensure that customers are better informed of their MPRN / MPANs will expedite the change of supplier process as it will increase the likelihood that a customer will be able to provide the new supplier with the correct MPAN / MPRN. This will lead to speedier registrations and reduce the likelihood of erroneous transfers. In addition it currently provides a new electricity supplier with the correct information relating to the Meter Timeswitch Code (MTC) and Profile Class (see chapter 7) and is therefore better positioned to appropriately quote for supply. The consultation document suggested that it may be appropriate for the MPRN/MPAN to be included on all direct correspondence from suppliers to customers.

Views of respondents

4.13 Enron raised concerns over the accuracy of the MPAN printed on some customer bills that had resulted in the rejection of a registration. Enron also commented that the lack of standardisation in the format and location of the MPAN made it difficult to instruct the customer to identify the correct data item on a bill. BGT supported steps to aid customers in identifying reference numbers.

Way forward

4.14 Ofgem continue to receive and act upon complaints regarding the size, format and location of the MPRN / MPAN on customer bills. Suppliers should ensure that they comply with their licence obligations (and the specification for the presentation of supply numbers in the MRA) in this regard and note the requirements of the new licence conditions proposed by the DTI.

Simplification of data flows (5.8.8)

ICT consultation document

4.15 Current systems were not designed specifically for the domestic market and some data flows contain data items that some suppliers suggest are not critical for domestic transfers but are mandatory components of the data flows. Agents or suppliers may find it difficult to populate all of the data immediately, which could lead to delays in sending the critical data items. Alternatively, where data is currently sent in multiple data flows, it may be possible to devise a single combined data flow as has been suggested for meter technical details.

Views of respondents

4.16 The simplification of data flows and the removal of unnecessary data items are generally supported as principles but would require appropriate review. Respondents did not believe that there was much scope to simplify many data flows. For example, in the electricity sector the issue has been addressed previously in respect of Non Half-Hourly (NHH) meter technical details but was rejected by the D0149\D0150 Working Group.

Way forward

4.17 Ofgem considers that this it is for industry parties to consider whether there are realisable benefits from amending data flows or devising new flows.

Reducing lead times for SPA transfers (5.8.9)

ICT Consultation document

4.18 One of the principles that Ofgem proposed, and is adopting when considering the effectiveness of the customer transfer process, is that "A new supplier should be able to take over responsibility for supplying a site with the minimum of notice, potentially immediately". SPA transfer time scales are determined by Transco's Network Code and the associated systems; in particular those required to mange objections and energy balancing. Suppliers have indicated that it takes on average 6 to 8 weeks to transfer a gas customer from them entering into a contract.

Views of respondents

4.19 The views of respondents were mixed on this issue. Many believed that there were significant benefits to reducing SPA time scales and in particular for certain customers such as homemovers. However some respondents were concerned that such an approach would require reengineering with the associated costs.

Way forward

4.20 Ofgem maintain that the principle of reduced transfer times is correct. The potential for next day transfers in the electricity market and a fixed 15 working day timetable in gas remains an important difference between the operation of the two markets. However to implement changes is likely to require significant changes to systems. Transco have indicated that there may be opportunities to enable faster transfers as a result of the changes they will be making to their systems to support the separation of the metering business.

Identity of the other supplier (5.8.10)

ICT Consultation document

4.21 Currently electricity suppliers are informed of the identity of the other supplier when a customer transfer has been initiated (other than in TXUE's GSP Group where the Contact Notice Facility is used). It is often essential when addressing problems that the new supplier and old supplier are aware of each other's identity. The ICT consultation document asked if this facility should be extended into gas but noted that some suppliers may consider that this would give their competitors commercially confidential data, especially if it reveals the nature of the contractual arrangements between a supplier and its agents.

Views of respondents

4.22 There was considerable support from respondents for the proposal to extend the notification of supplier ID to the gas market. This is now a feature of the electricity market and electricity suppliers report that it is a useful tool in resolving problems quickly and effectively.

Way forward

4.23 In the gas market, Transco will be implementing a change during summer 2001 to provide the new supplier with the ID of the old supplier as part of the automated data file exchanges that support the transfer process. This has been introduced to support metering competition.

4.24 Ofgem remain concerned that in a fully competitive market mandating the exchange of information on the ID of competitors from whom suppliers are winning sites may in the future disadvantage supplier who wish to protect the confidentiality of commercial arrangements. Therefore, unless it is not practical, the transfer process should not rely on the systematic release of supplier ID information between competitors, even though currently suppliers find this information to be of use in supporting competition.

Removal of the ability for an incumbent supplier to withdraw an objection (5.8.12)

ICT Consultation document

4.25 The ability of an incumbent supplier to withdraw an objection increases the complexity of the process and time scales, but is only used very occasionally, and may lead to confusion when objections are withdrawn. Combined with a reduction in the window allowed for the incumbent supplier to raise an objection, this could allow incoming suppliers to reduce the transfer lead times with more confidence, particularly in the electricity sector.

4.26 Raising an objection would put an immediate halt on the transfer. This would reduce the complexity of the transfer process from the new supplier perspective (particularly in the electricity industry with regard appointing, de-appointing and then re-appointing agents should an objection be accepted and then removed).

4.27 If the right to remove objections were withdrawn, this objection window would be reduced to 5 working days in the electricity market (the 10 day window currently comprises 5 days within which the old Supplier can raise the objection and then 5 further days for that objection to be resolved and removed). In the gas industry the removal of the ability of the incumbent gas supplier to lift their

objection could eliminate up to 5 days from the lead time of 14 working days between registration and transfer.

Views of respondents

4.28 The views of respondents are mixed, in that some parties have indicated that the facility is useful in some circumstances, such as where a customer clears a debt in the interim period before the objection window is closed or the objection was raised in error.

Way forward

4.29 Ofgem considers that there is merit in this proposal, particularly in the gas industry where the objection period is not capable of running in parallel as occurs with electricity. Whilst there may be advantages for some customers who have their objections removed by the incumbent supplier, it is unclear whether sufficient use has been made of this facility to justify delays in transfer for the majority of switchers. Suppliers should ensure that they only raise an objection where they have sufficient grounds to do so and this is an issue of licence compliance. Suppliers should consider whether removing the objection withdrawal facility and reducing the objection window should be proposed by a shipper as a modification to Transco's Network Code.

Require all transfers to be based on actual or customer own reads (5.8.16)

ICT Consultation document

4.30 The consultation document questioned whether it would be desirable to move to a position where a customer's transfer only took place when an actual meter reading was taken, rather than permitting the use of an estimated read.

Views of respondents

4.31 There are advantages for customers in being transferred on an actual or customer own meter read as opposed to an estimate. However, respondents to the ICT consultation document indicated that this proposal would introduce a significant level of disturbance to the transfer process, and was neither a realistic or achievable target. It was argued that customers were willing to accept accurate

estimates and that requiring an actual or customer own read would add potential delay to the transfer. energywatch did however note that, where a customer had provided a change of supplier read to their new supplier, that they were infuriated when it was not used.

Way forward

4.32 Ofgem considers that it is unlikely that the advantages of requiring an actual or customer own meter read for each customer transfer will outweigh the disadvantages set out by respondents. Therefore no further action is proposed.

Introduce or increase the charge for the provision of an estimated read (5.8.17)

4.33 Ofgem have recently reviewed whether it would be appropriate for a Data Collector (DC) to separately charge suppliers for providing an estimated meter read to support a customer transfer. It was considered to be inappropriate for the DC to make such a charge.

Align the transfer meter reading windows (5.8.18)

ICT Consultation document

4.34 The consultation document questioned whether there would be benefits to aligning the meter reading windows to allow suppliers to provide customers with a consistent experience when changing electricity and gas supplier, reduce suppliers' meter reading costs and encourage them to obtain an actual or customer read. Currently gas and electricity suppliers are subject to differing time constraints for obtaining gas and electricity Change of Supplier (CoS) meter reads and sending them through to Transco or the Data Collector (DC).

Views of respondents

4.35 Many respondents favoured aligning meter read windows between the gas and electricity markets. London Electricity commented "We offer a dual fuel contract and therefore strongly believe that the timeline for gas and electricity transfers should be aligned. We believe that we should move gas towards the electricity model, and so increase the meter-reading window to maximise the number of

meter readings that pass validation." Such an approach would increase the ability of gas suppliers to collect and send in valid actual meter reads to Transco.

Way forward

4.36 A Network Code modification has recently been raised by BGT to increase the gas meter read window from 2 working days before and after the transfer date to working 5 days before and after the transfer date.

Formalise data flows for disputed meter readings and agreed reads (5.8.19)

ICT Consultation document

4.37 The arrangements by which suppliers exchanged information to resolve disputed meter readings used for change of supplier are rooted in work arounds devised after competition began. The Consultation document queried whether these should be mandated and established as core industry processes.

Views of respondents

4.38 Views of respondents were generally supportive. energywatch considered that "There is a need to review the operation, effectiveness and adherence to work-arounds within industry and, certainly in the case of gas, review the extent to which they should have voluntary status". Some comments were cautious that there may be resultant unjustifiable system costs.

Way forward

4.39 Progress has been made in electricity where arrangements have been formalised under governance within the electricity market through the introduction of MAP08 (Meter Reading Dispute on Change of Supplier) and the associated D0300 (Disputed Read on Change of Supplier) data flow. A formal review of the Disputed Reads process in electricity is to be undertaken 6 months after its introduction (April 2001). A non-mandated process is also in place in gas, "Shipper Agreed Reads" and is further referenced in the Domestic Suppliers Code of Practice and the Biscuit Catalogue. The governance of the Biscuit project is currently being reviewed by the Gas Forum Suppliers Group and it

may also be useful for these developments to incorporate a review of the gas experiences to date with particular regard to compliance.

Remove the mandatory requirement for some transactions to be performed using the standard data flows (5.8.21)

ICT Consultation document

4.40 A number of electricity data flows cover how agents communicate with suppliers and their use is either mandated or made de facto by agent accreditation rules. There may be better ways for suppliers and their agents to interact whilst preserving the integrity of the settlement processes, but the current industry agreements are considered to deter such innovations from being adopted.

4.41 The only part of the electricity retail design where particular flow structures are mandated is within the Elexon BSC procedures (BSCPs) and Pool Service Lines (PSLs) (although here the 'D' number references are in fact references to the Data Interfaces Catalogue produced by Elexon which defines the data items that should be included in the flow but not the precise structure within that flow).

4.42 The MRA only covers DTC flows to and from MPAS systems and even though Schedule 3 of the MRA states that DTC flows should be used for each of these events, clause 46.3 allows for Parties to reach agreement on the method and format of communication and thereby deviate from structures shown in the DTC.

4.43 Allowing MRA Parties to use structures other than DTC structures would be of benefit for communications within a supplier hub (i.e. between a supplier and its appointed agents) as it may expedite speedier communications and do away with the exchange of data items that may not be essential for the particular MPAN or transaction being completed.

4.44 Such changes could involve quite radical changes to agent and supplier systems that have been designed on the basis of the DTC (Data Interface) flows. This could be a viable proposition for new entrant Suppliers who intend to solely use their own agents who would be designing their systems from new.

Further refinements proposed by ICT consultation respondents

Retrospective registrations

Background

4.45 MRASCo have indicated that, as part of their work to consider proposed changes to the transfer process with the electricity industry, one of the commonly expressed views was for the introduction of retrospective registrations. Retrospective registrations would allow suppliers to submit valid registration requests that contain Supply Start Dates (SSDs) prior to the date the request is submitted. This refinement would facilitate other developments in the markets such as allowing a supplier to wait for a valid transfer reading before registering, aligning the SSD to the reading date or the date the customer wished to change its supplier even if that date had already passed for example where they had recently moved into a premises. This change would also have the benefit of becoming a viable means of redressing erroneous transfers and of resolving a Supplier of Last Resort situation. A disadvantage of this proposal is that it would require changes to both registration and settlement systems.

Way forward

4.46 Ofgem considers that it is for industry parties to consider whether there are realisable benefits from introducing retrospective registrations. Ofgem would welcome further discussion on this issue.

Standard interface for shipper dealings with IPGTs

Background

4.47 The ICT consultation document described the problems that suppliers were experiencing in attempting to transfer customers on IPGTs due to the lack of a standardised electronic data interface.

4.48 Independent Public Gas Transporters (IPGTs) have secured the use of Transco's Supply Point Administration (SPA) file formats via licence agreement. These file formats have been used to develop an SPA system for transferring customers across IPGT networks. To support the use of Transco's file formats, shippers and

IPGTs have produced a working document tilted 'Standard for Electronic Data Interchange' which has been presented to and ratified by the Suppliers Section of the Gas Forum.

4.49 The objective of implementing Electronic Data Interface (EDI) between shippers and IPGTs originates from the concerns expressed by shippers regarding the use of fax based processes as a means to transfer customers. Shippers suggested that IPGTs adopt the use of Transco's file formats to avoid shippers requiring different systems to interface with each IPGT. The fax-based forms currently in use were introduced as an interim measure and plans were developed to replace these forms with an electronic SPA system. Whilst Ofgem is pleased that the development of EDI has progressed, we are concerned that some IPGTs and shippers have yet to determine firm implementation time scales for their EDI systems. This raises the following concerns:

- Customer Numbers: Ofgem understands that new gas connections are an increasingly expanding market. Estimated growth across IPGT networks suggests that close to 500,000 new customers may be connected within 5 years. Such growth indicates the need for IPGTs to develop robust systems to manage customer transfers.

- Development of Competition: One of Ofgem's primary duties is to protect customer interests and promote competition in the gas and electricity markets. Ofgem is concerned that the absence of a systematised transfer process may have a detrimental effect on the development of competition across IPGT networks as such networks expand, which may in fact deter some suppliers from actively pursuing customers situated on IPGT networks.

- Management of Customers: As new connections increase on IPGT networks the ease of transfer and management of customer expectations using fax based systems may place increased burdens on IPGTs and shippers/suppliers. PGTs are obliged by their licence to facilitate competition between relevant shippers and suppliers. If transfer related problems arise which are attributable to inadequate transfer systems IPGTs may be in breach of their licence conditions. Therefore it is the

IPGT's responsibility to ensure that it puts in place and operates a robust transfer system.

Way forward

4.50 Ofgem wrote to suppliers, shippers and IPGTs during April 2001 to understand fully their concerns regarding the implementation of EDI. The majority of shippers and suppliers who responded expressed support for EDI and provided indicative EDI implementation time scales. However responses from IPGTs were less supportive. A number of IPGTs expressed concerns about the complex nature of Transco's file format validation rules. Some IPGTs suggested that implementation of EDI is not economically viable due to the low levels of connections/transfer activity on their respective networks.

4.51 What is clear is that the majority of IPGTs will experience growth in the number of connections on their respective networks. It is currently unclear whether the fax based SPA systems will adequately facilitate transfers that may arise as a result of increased connections. Ofgem supports measures to implement consistent transfer systems across IPGT networks and requires the industry to take measures to overcome difficulties associated with EDI implementation. Ofgem is currently considering the IPGT responses and intends to be fully involved in industry debate concerning the implementation of EDI.