ofgem Promoting choice and value for all gas and electricity customers

Change of Supplier Expert Group

Meeting 2

10 June 2013

Rowaa Mahmoud

OBJECTIONS

Recap from previous meeting

- Ofgem's aim is to reduce the impact of objections on the length of time it takes to transfer and the uncertainly this causes for customers

Disclaimer

All charts presented in these slides represent information that Ofgem has received from Big six suppliers. Ofgem has undertaken limited validation on the data submitted so any information should be considered within this context.

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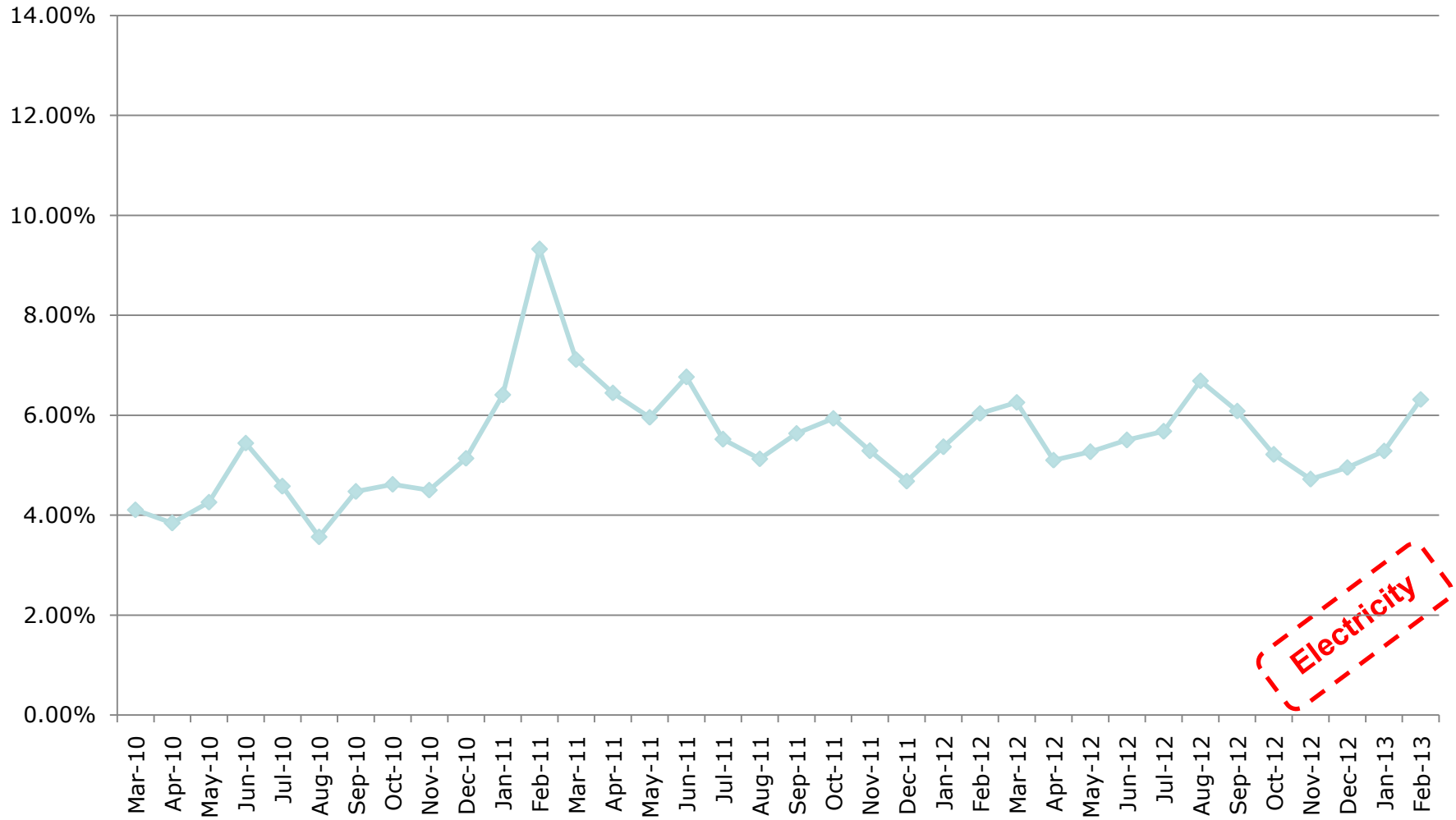
Objection rate - Domestic



See caveat in slide 4

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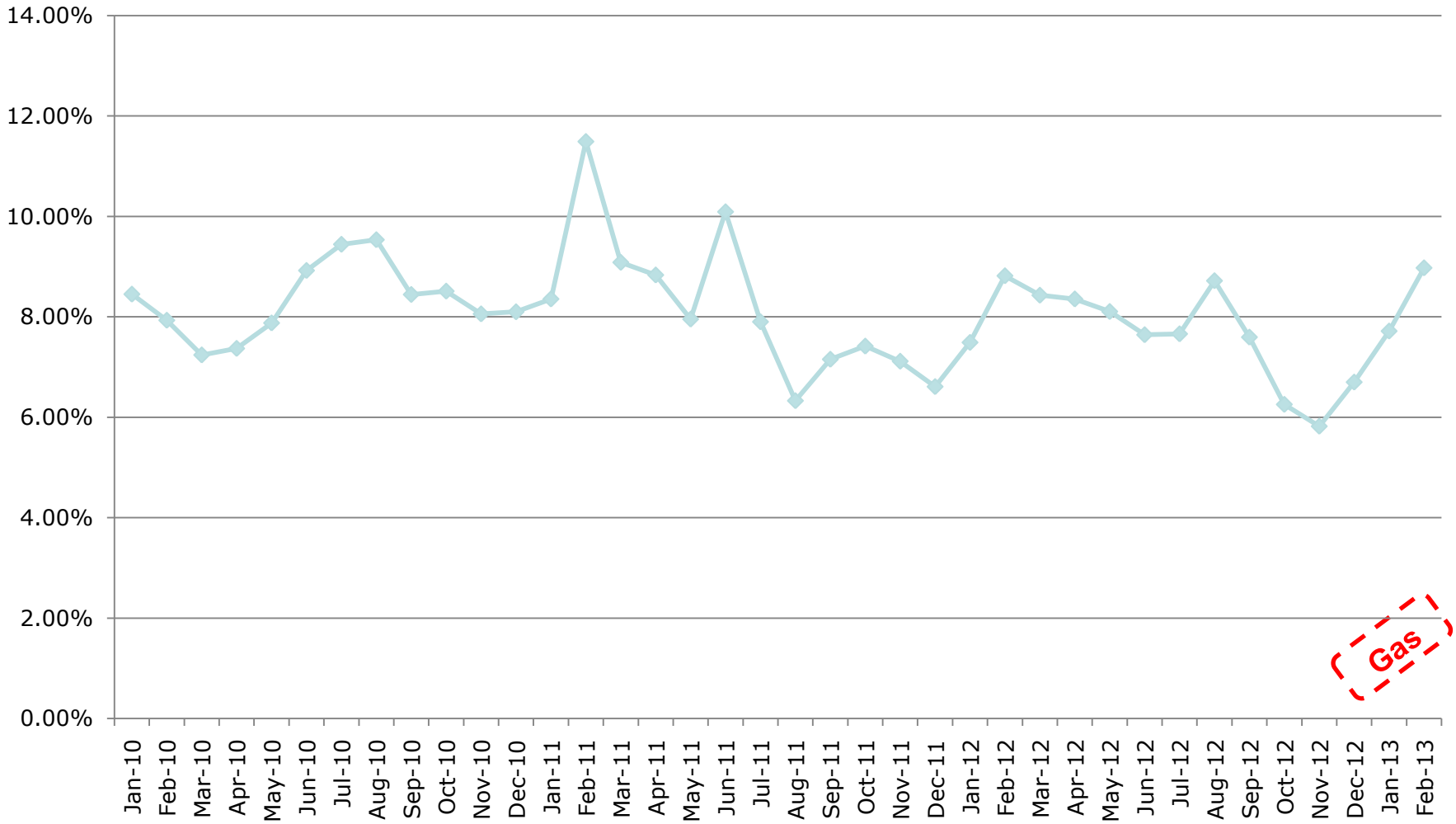
Objection rate - Domestic



See caveat in slide 4

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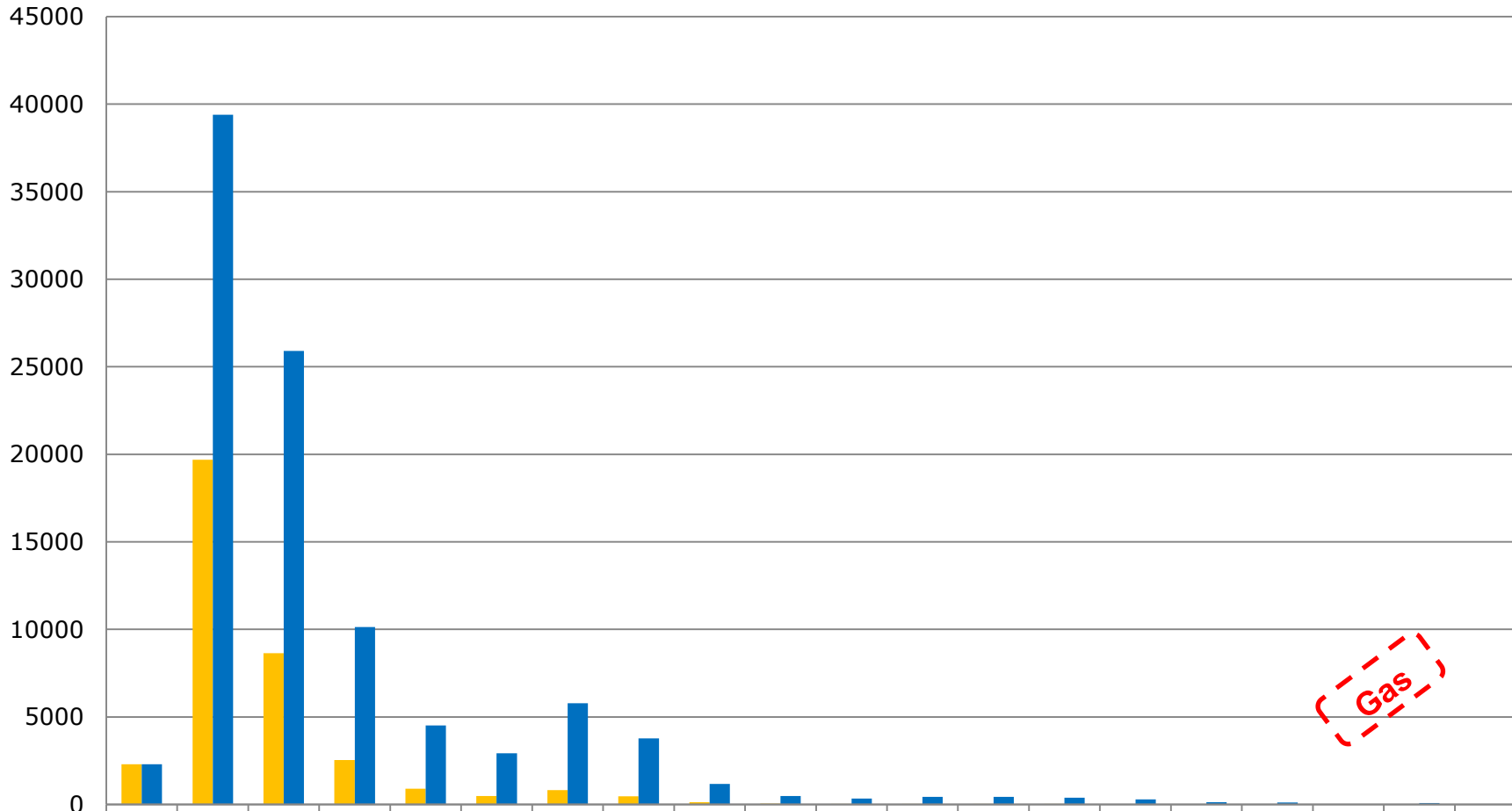
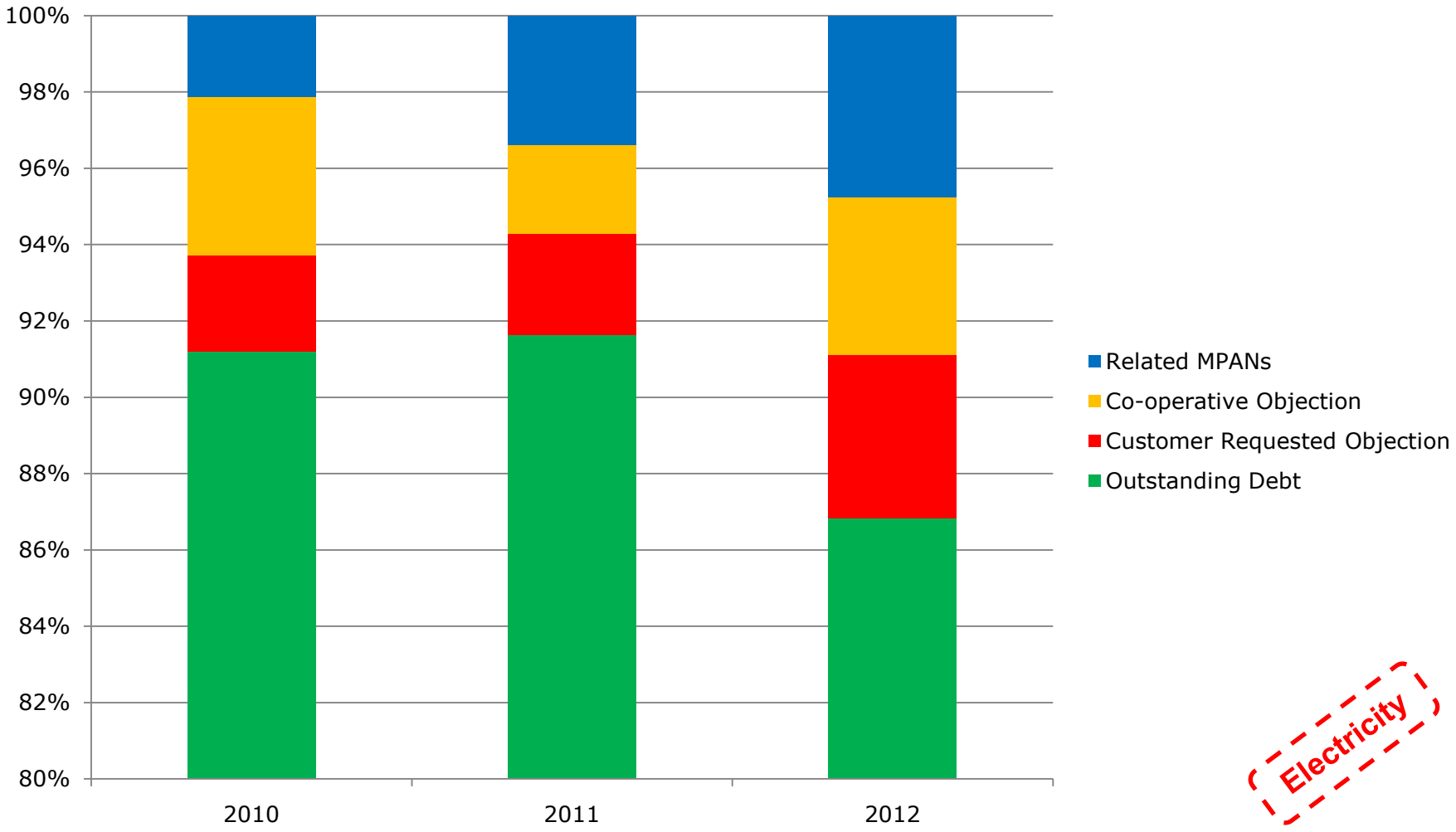
Frequency of objections (source: Xoserve)



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Occurrences	2291	19695	8635	2533	902	486	827	472	131	48	30	36	33	28	19	8	7	0	4	1
Total number of objections	2291	39390	25905	10132	4510	2916	5789	3776	1179	480	330	432	429	392	285	128	119	0	76	20

DRAFT

Objection reasons - Domestic



Electricity

See caveat in slide 4

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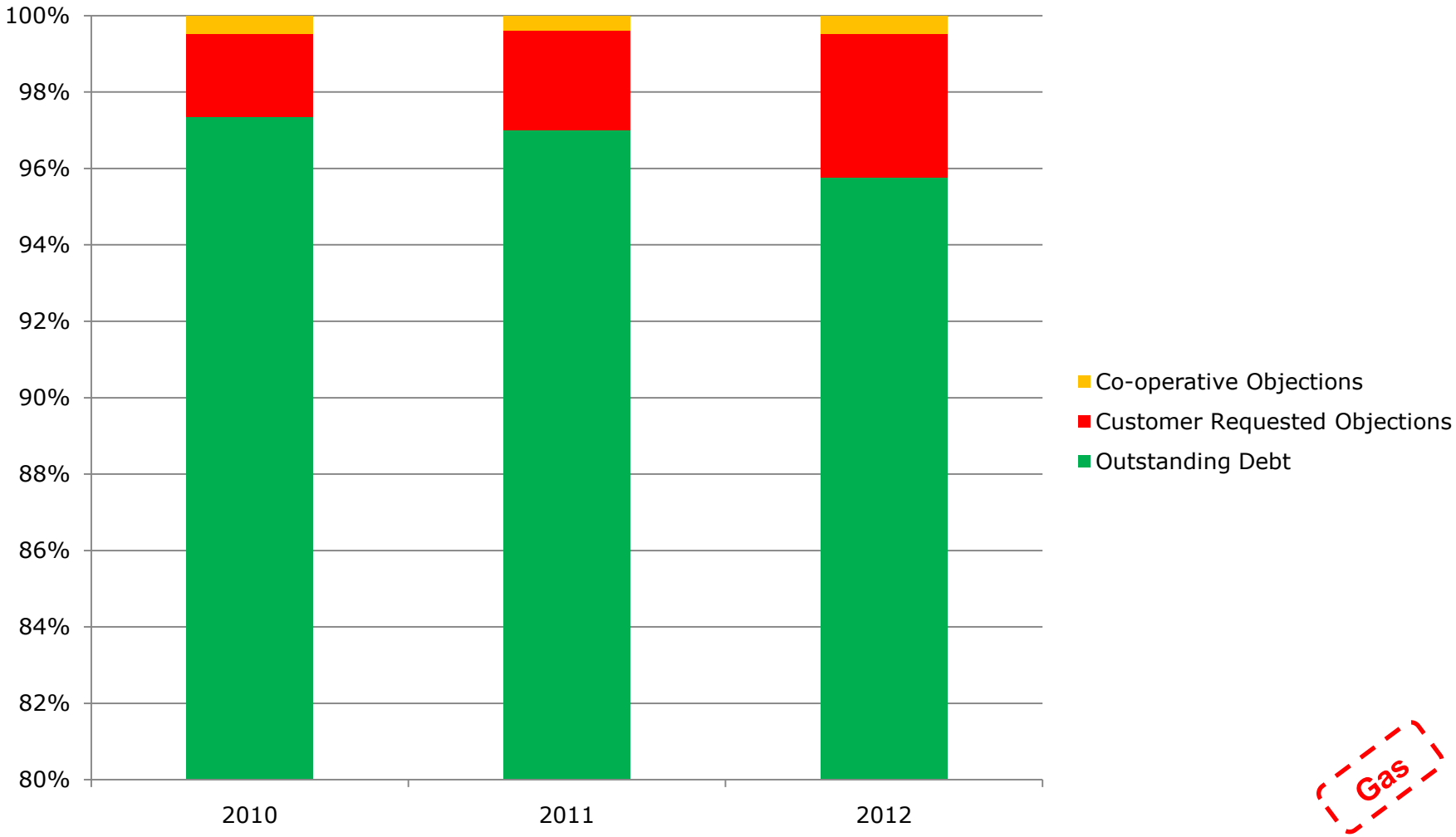
Objection reasons - Domestic



Gas

See caveat in slide 4

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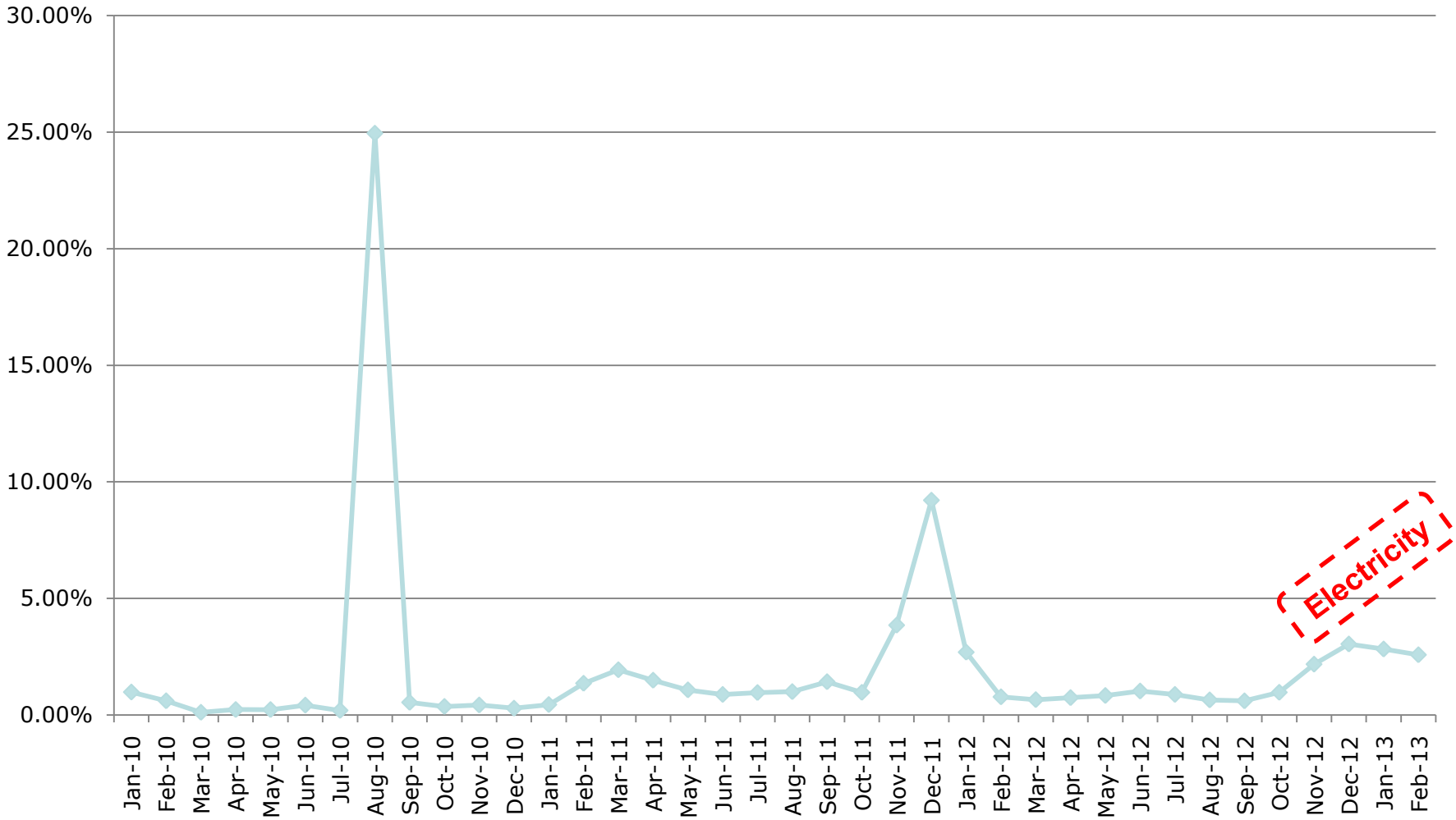
Objection withdrawal rate - Domestic



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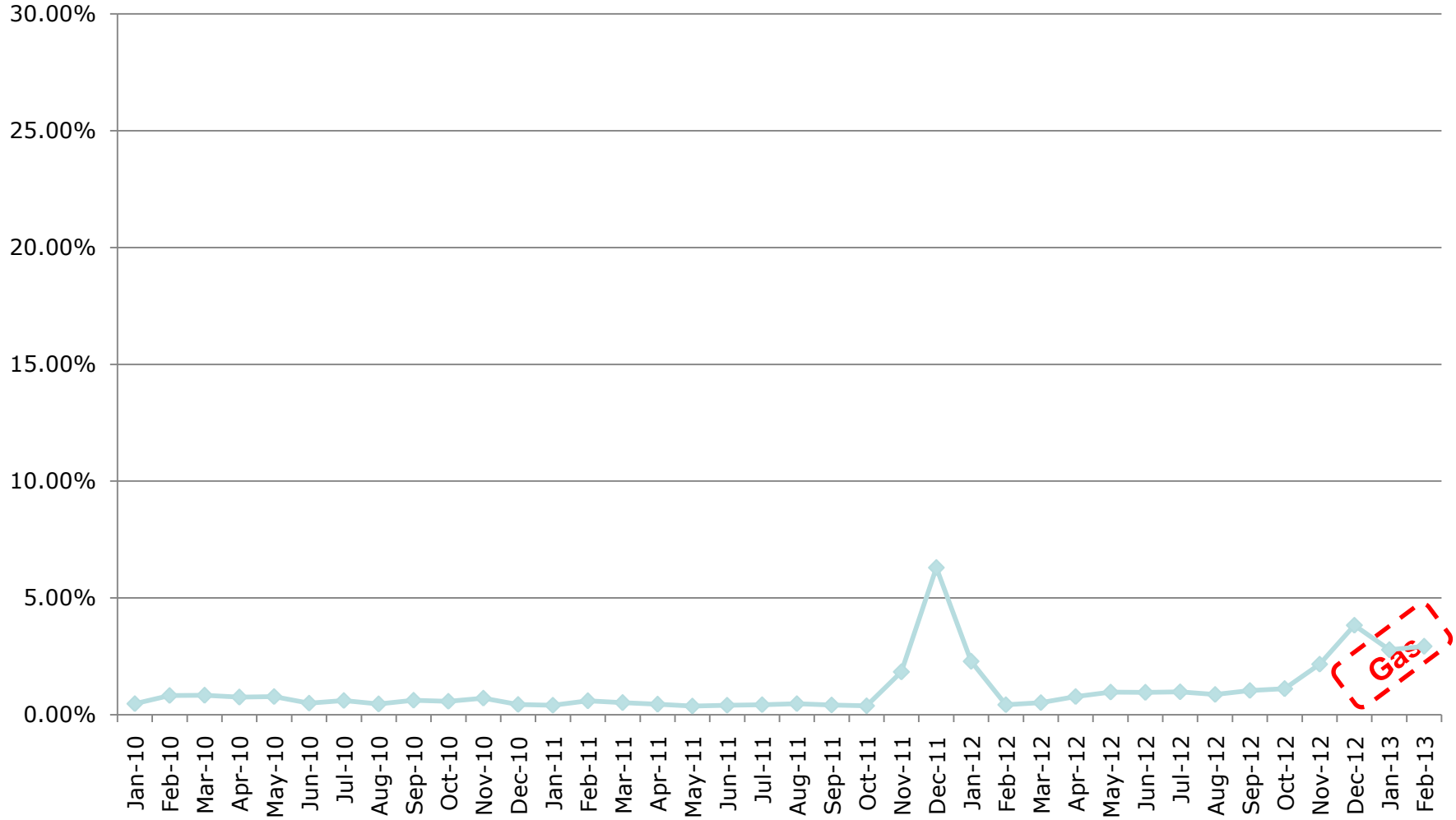
Objection withdrawal rate - Domestic



See caveat in slide 4

Reform options

Option	Description
Option 1	No objection process
Option 2	Roll-backs
Option 3a	Shorter objection window: "x" hour objection window
Option 3b	Shorter objection window: fixed cut-off within day
Option 3c	Shorter objection window: 1 or 2 days
Option 4a	Central register of objections
Option 4b	New supplier can access central register of objections in advance of transfer
Option 5	Losing supplier declaration of "no objection"

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Objections

Criteria	Option1 – remove	Option 2 - Roll back	Option 3a - x hour	Option 3b - within day fixed cut-off	Option 3c - 1 or 2 day window	Option 4 - Central register
Speed	Transfer quicker	No impact for elec but could speed up gas	Transfer quicker	Transfer quicker	Transfer quicker	Transfer quicker
Ease	More certainty on transfer	Confusion to consumers	Minimum effort for consumers	Minimum effort for consumers	Minimum effort for consumers	Minimum effort for consumers
Accuracy	More ETs	ETs could be prevented	ET could be flagged but limited opportunity	ET could be flagged but limited opportunity	ET could be flagged	Might not catch ETs
Coverage	Applicable to all customers	Applicable to all customers	Applicable to all customers	Applicable to all customers	Applicable to all customers	Applicable to all customers
Consumer expectations	Faster transfers	Effort and confusion to consumers	Faster transfers	Faster transfers	Faster transfers	Faster transfers
Design - flexibility	No longer need to consider this part of CoS process	Complex design	tbc	tbc	Similar to gas	tbc
Integration	No impact on other systems	Complex design	tbc	tbc	No impact	tbc
Design – robustness	No regulatory input required	Complexity makes it potentially difficult to regulate	Require Ofgem to monitor and enforce	Require Ofgem to monitor and enforce	Require Ofgem to monitor and enforce	Require Ofgem to monitor and enforce
Solution cost/benefit	tbc	tbc	tbc	tbc	tbc	tbc
Implementation	tbc	tbc	tbc	tbc	tbc	tbc

Objections

COSEG has been asked to:

- Identify any further options for discussion at today's meeting
- Review options against the Evaluation Criteria
- Identify any differences in approach required between
  - Smart and traditional meters
  - Domestic and non-domestic
  - Electricity and gas
- Consider the requirement to retain an objection resolution period?
- Identify any links and dependencies that should be taken into account

Objections

ROUNDTABLE DISCUSSION

Next steps

- Summary and actions
- Is further information required to support COSEG's assessment of the reform options
- Is a further discussion required at a future COSEG?

Andrew Wallace

AMENDED TERMS OF REFERENCE AND EVALUATION CRITERIA

Amendments to Terms of Reference

- Focus remains on longer-term reform. However quick wins to be recorded in minutes (and summarised in Q1 2014 consultation)
- Clarification on scope
  - Cooling off-periods
  - Objections
  - Access to metering data
- Suppliers have right to request invitation to COSEG
- Papers provided at least 5 working days in advance of COSEG meeting
- Minuted discussion will not be attributed to an individual or organisation (unless requested or related to an agreed action)

Amendment to Evaluation Criteria

Ease	The transfer process should be transparent for consumers. Once a customer has chosen a new supplier, the process should be ~~transparent and~~ achieved with the minimum of effort for the consumer and for all parties who have an interest in the switch.
Consumer expectations	The transfer process should meet or exceed consumers' expectations in terms of speed, ease, accuracy and coverage.

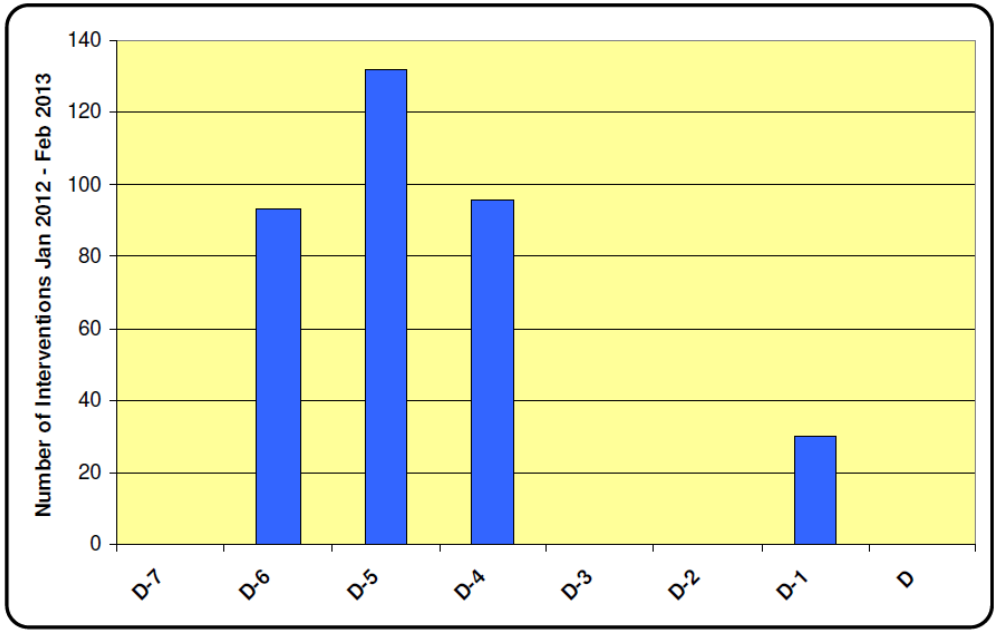
Andrew Wallace

CONFIRMATION WINDOW - GAS ONLY

Recap from previous meeting

- Our high level aim is to promote faster switching and alignment with electricity by removing or reducing the 7 WD timeframe between the objection window closing and the customer transfer date

- Xoserve analysis on interventions to improve demand attribution during 7 WD window



Confirmation window

Reform options

Option	Description
Option 1	Reduce confirmation window
Option 2	Remove confirmation window

Confirmation window

Criteria	Option1 – reduce confirmation window	Option 2 – remove confirmation window
Speed	Transfer quicker	Transfer quicker (better met than option 1)
Ease	No impact	No impact
Accuracy	No impact (CoS read for customers with traditional meters)	No impact (CoS read for customers with traditional meters)
Coverage	Applicable to all customers	Applicable to all customers
Consumer expectations	Faster transfers	Faster transfers
Design - flexibility	No impact on current position – potential to restrict future business models and alignment with electricity	No longer need to consider this part of CoS process
Integration	tbc	No longer need to consider this part of CoS process
Design – robustness	No regulatory input required	No regulatory input required
Solution cost/benefit	tbc – Xoserve provided initial cost of £500k on reducing confirmation window from D-7 to D-5 for UNC 396.	tbc – what is the impact on the quality of demand attribution?
Implementation	tbc	tbc

Confirmation window

COSEG has been asked to:

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- Identify any differences in approach required between
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  - Domestic and non-domestic
  - Electricity and gas
- Identify any links and dependencies that should be taken into account

Confirmation window

ROUNDTABLE DISCUSSION

Next steps

- Summary and actions
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- Is a further discussion required at a future COSEG?

Andrew Wallace

ERRONEOUS TRANSFERS

Erroneous Transfers

Introduction

- Our aim is to eradicate/substantially reduce the number of erroneous transfers
- Current ET rate at around 1% of transfers (excluding Customer Service Returners)
- Impact for smart meters potentially more significant as could lead to disruption in supply (PPM) and to services (load control)
- Shortening the objection window will reduce the opportunity to block potential erroneous transfers

Regulatory framework

- Ofgem and Consumer Futures developed the ETCC with suppliers.
- ETCC aim is to transfer domestic customer back to previous supplier with minimum of fuss.
  - Customer can contact either supplier to initiate process
  - Timescales for resolution
  - Customers informed of progress and resolution
- Supported by industry agreed procedures under SPAA and MRA
- Some suppliers have agreed to pay compensation if customer not informed within 20 days that they will be returned
- RMR – standards of conduct?

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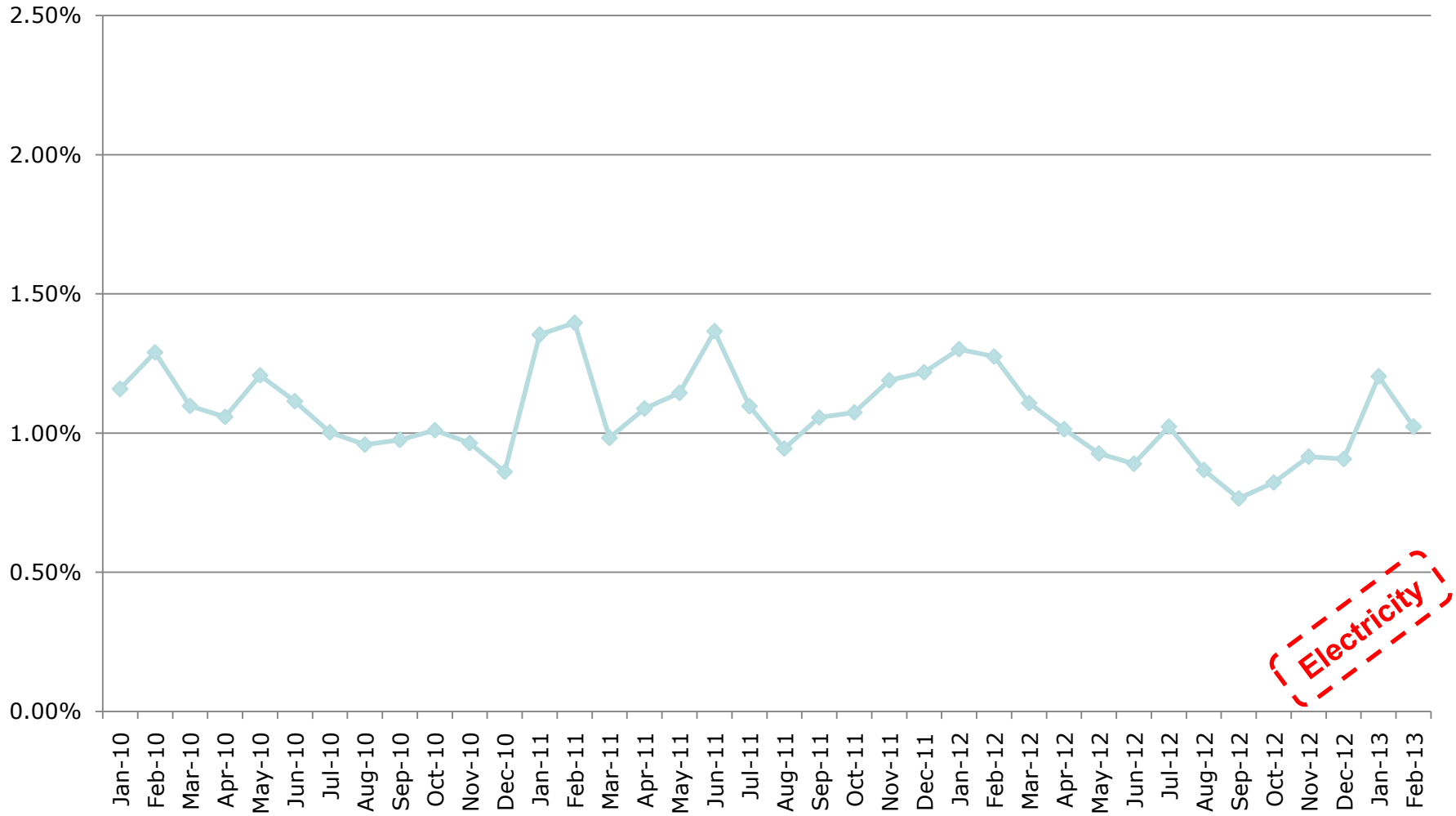
Erroneous transfer rate - Domestic



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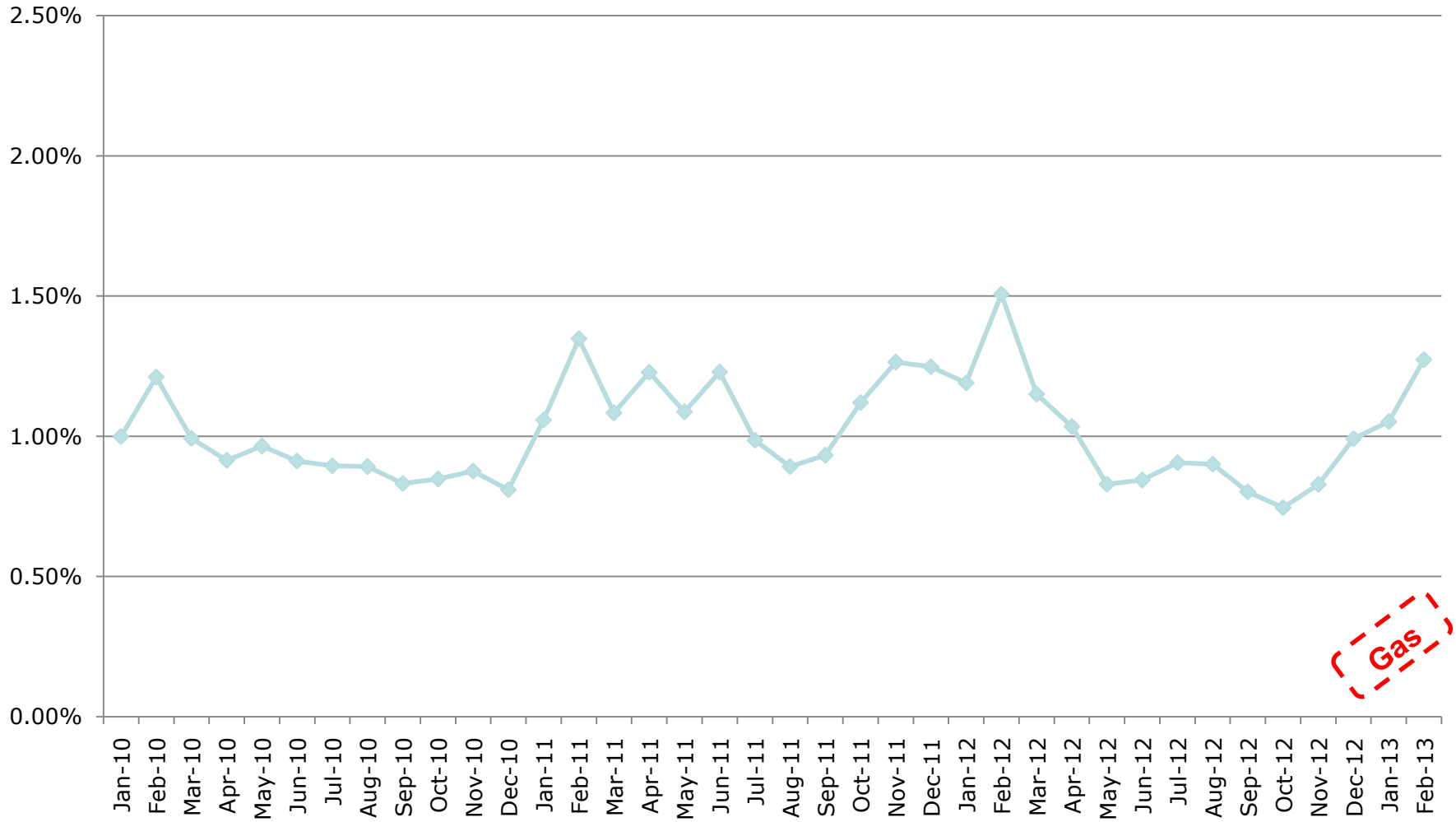
Erroneous transfer rate - Domestic



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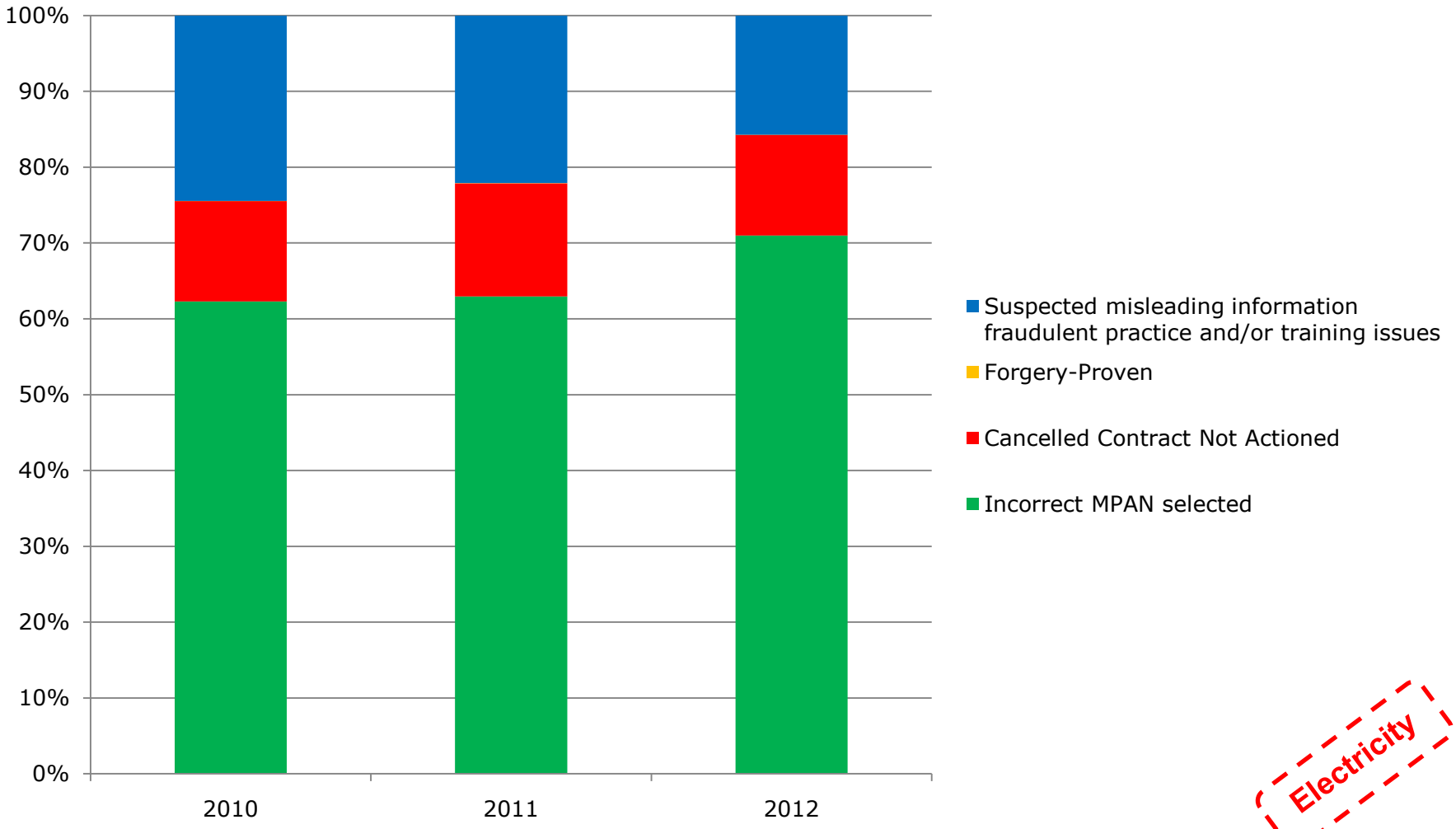
Erroneous transfer reasons - Domestic



Electricity

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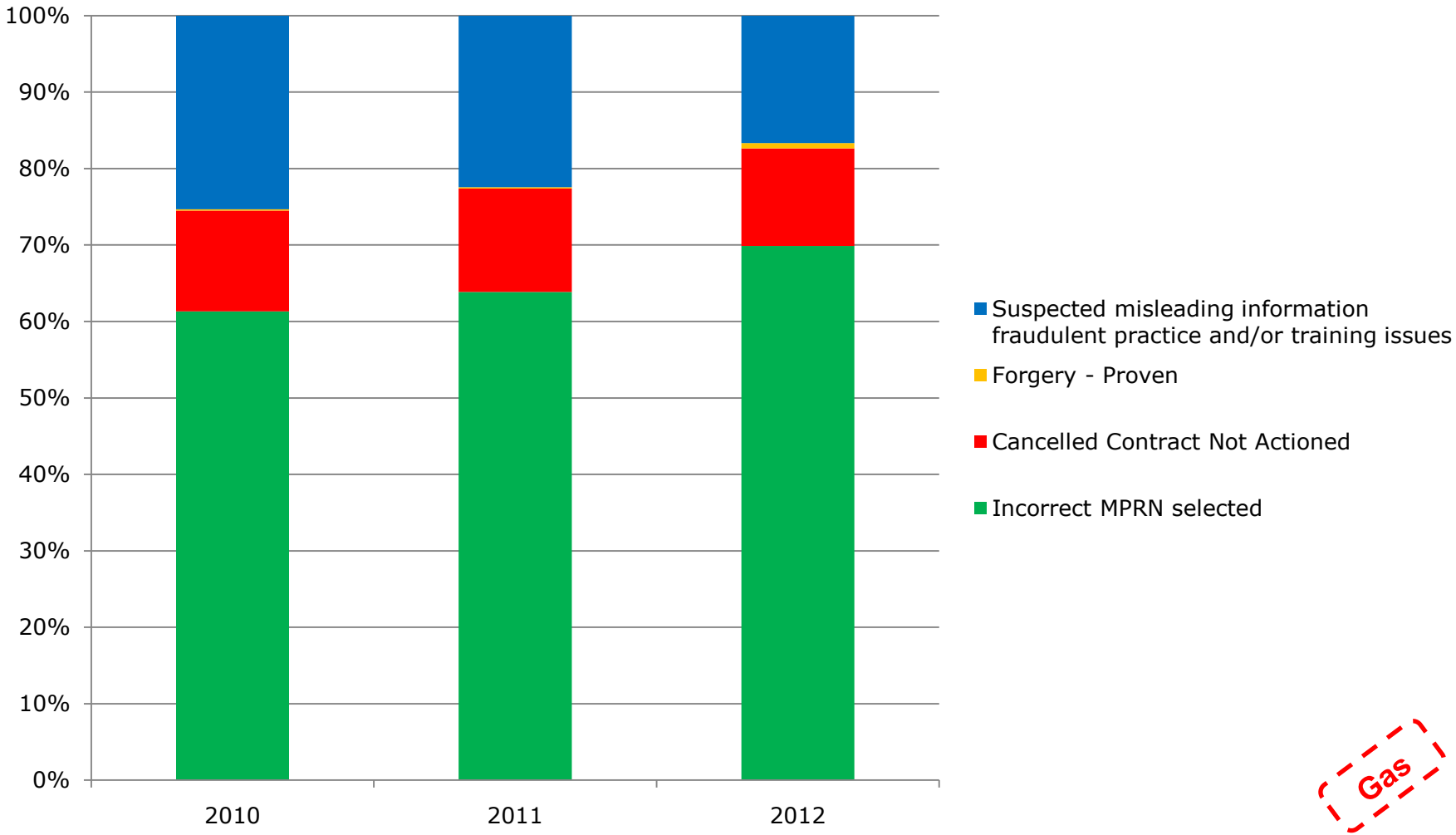
Erroneous transfer reasons - Domestic



Gas

See caveat in slide 4

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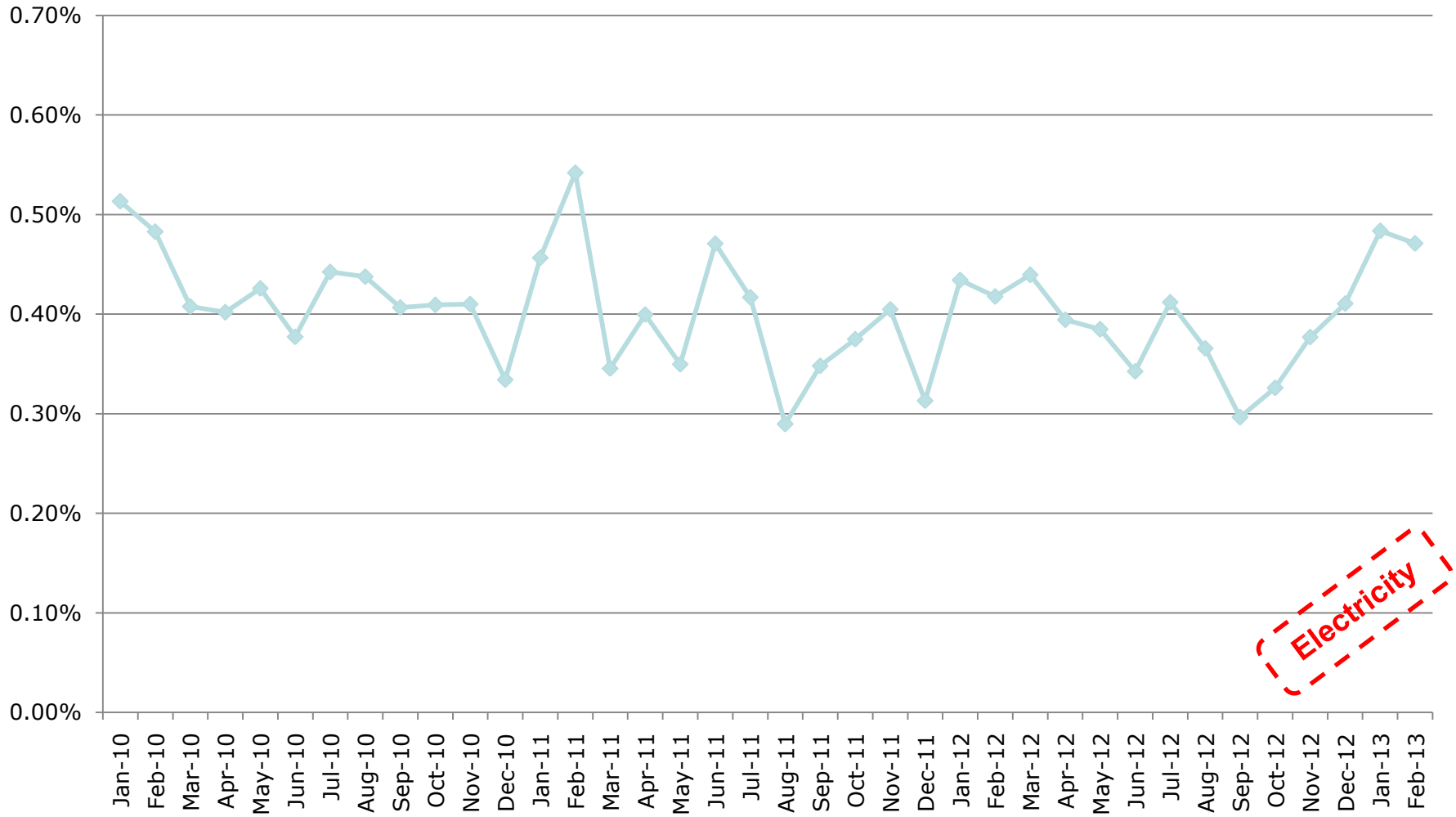
Customer service returner rate - Domestic



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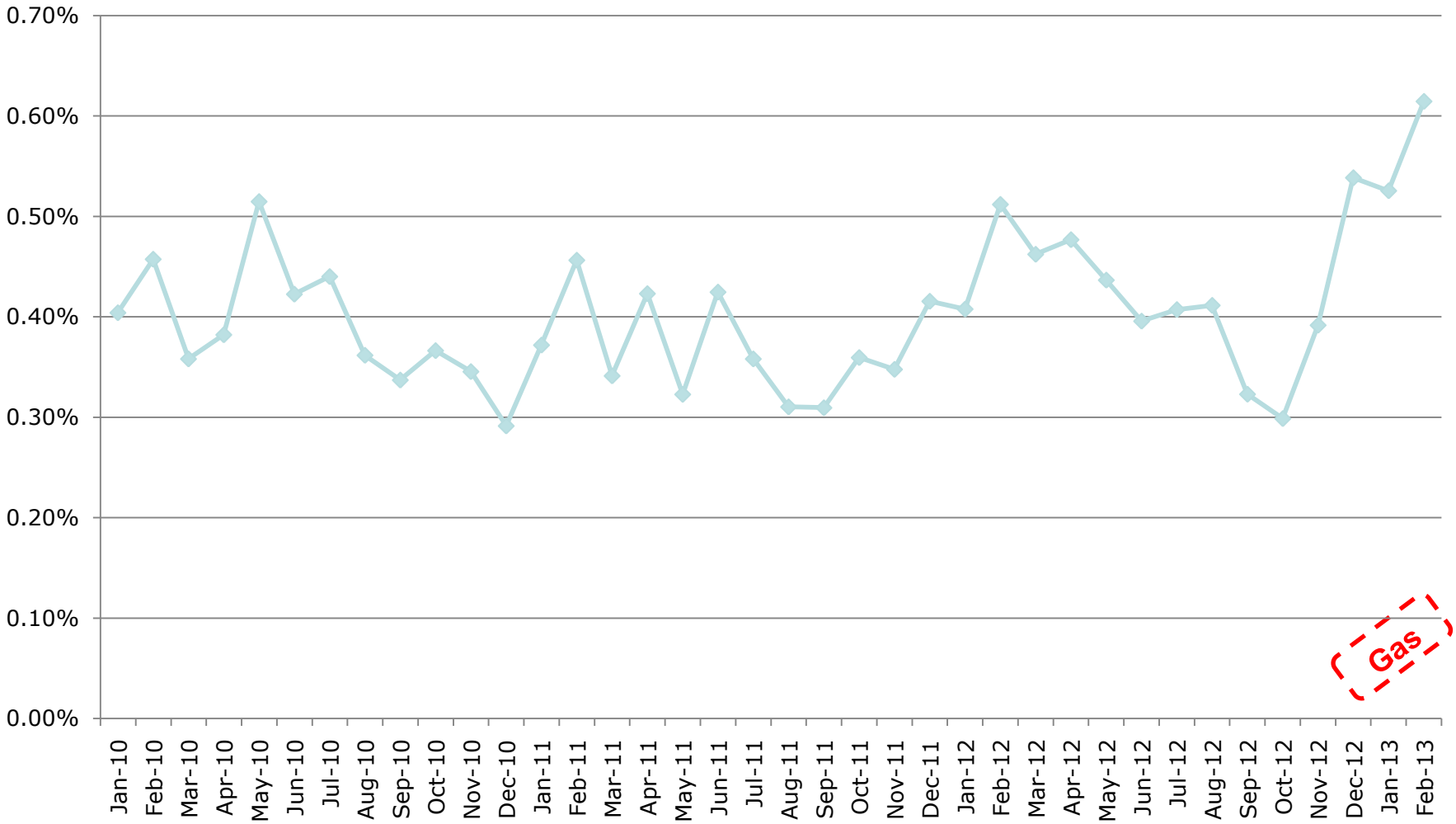

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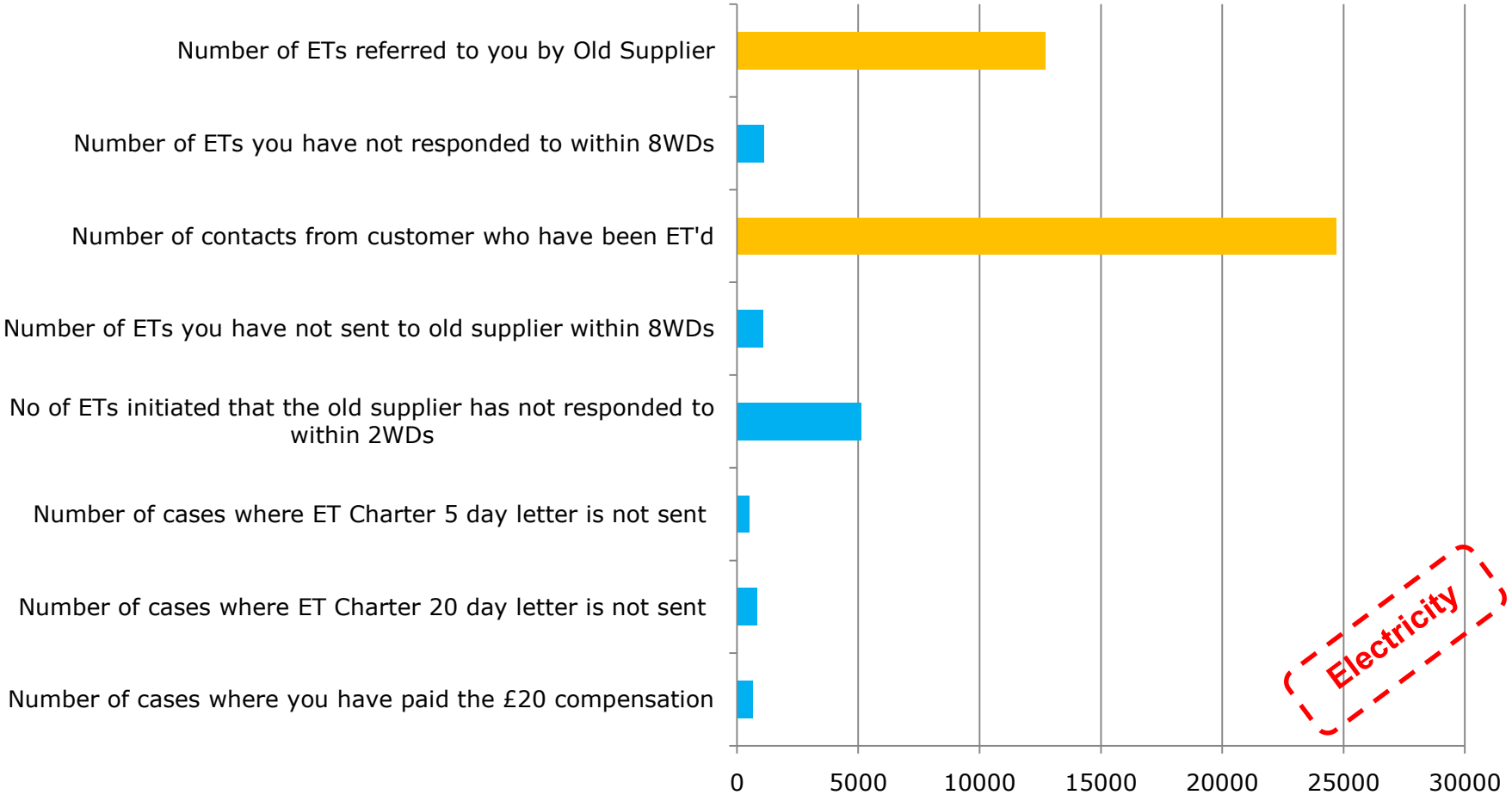
Erroneous transfer procedures (Gaining suppliers) - Domestic



See caveat in slide 4

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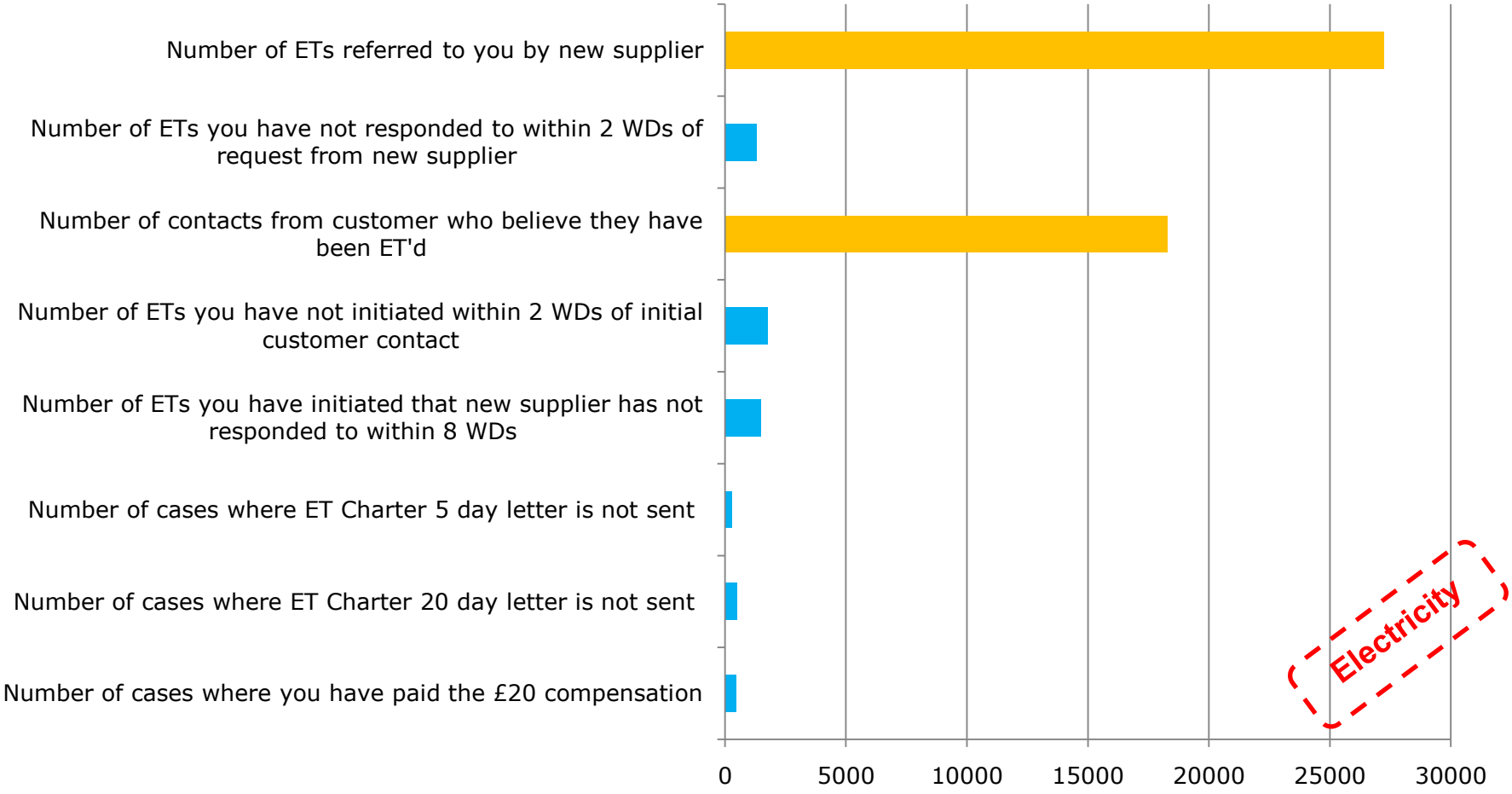
Erroneous transfer procedures (Losing suppliers) - Domestic



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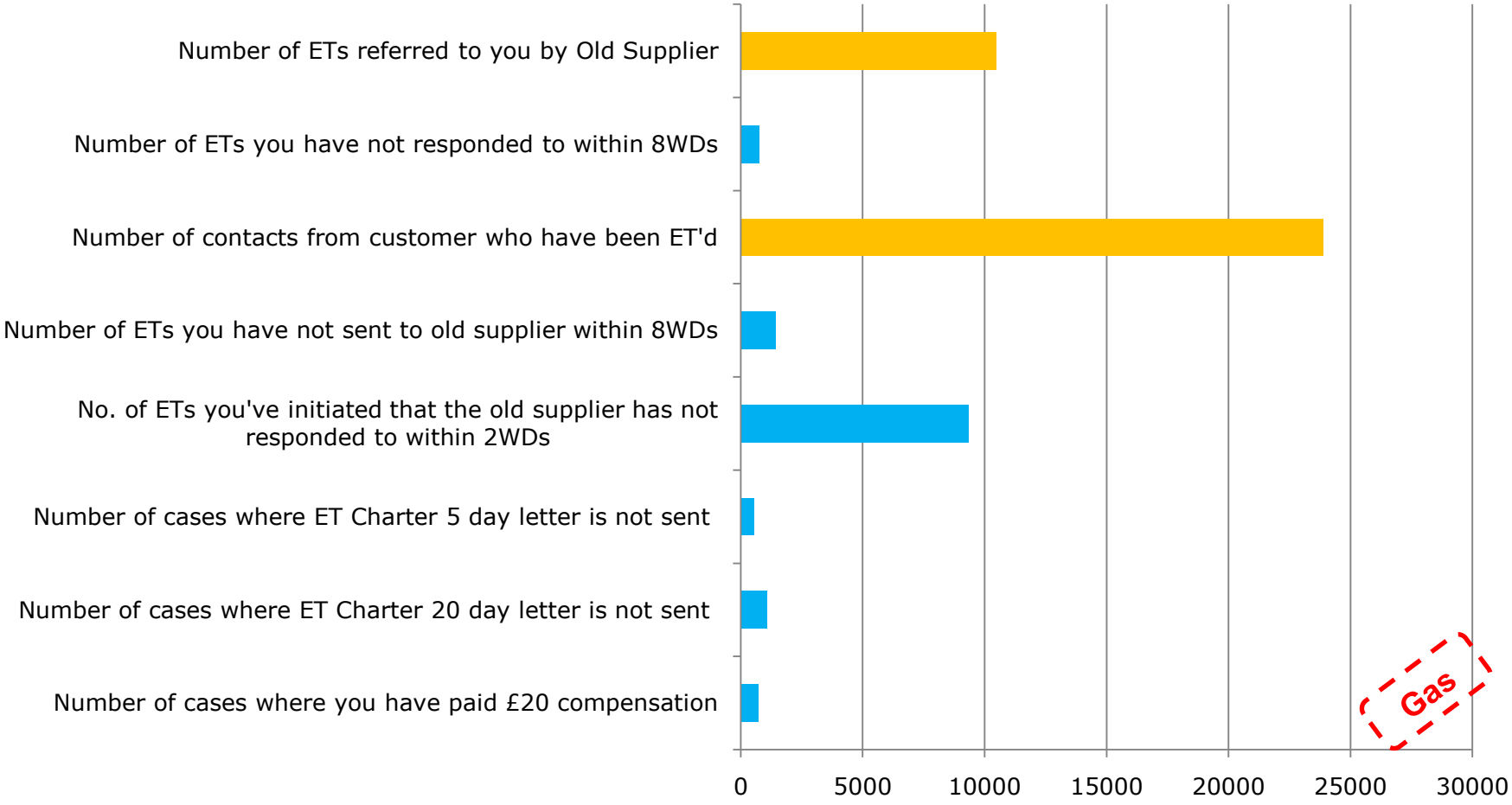
ET procedures (Gaining suppliers) – Domestic



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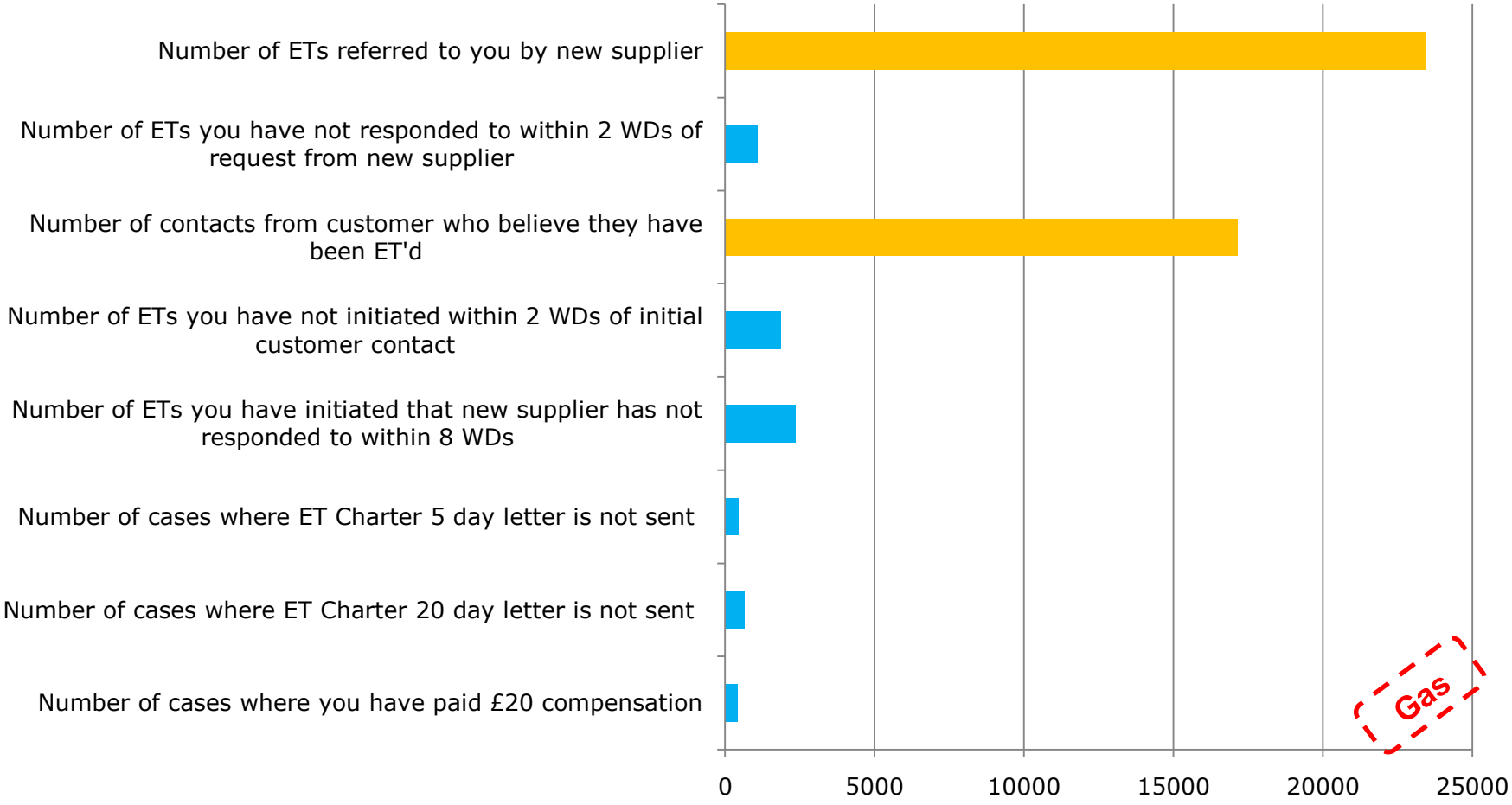
ET procedures (Losing suppliers) – Domestic



See caveat in slide 4

Causes of Erroneous Transfers - Discussion

- Incorrect MPxN selected
- Suspected misleading information, fraudulent practice and/or training issues
- Cancelled contract not actioned
- Forgery – proven

Option 1 – Verification of MPxN

- New supplier acting as an ESCo could:
  - **Option 1a**: Access meter and obtain meter read to verify with the consumer
  - **Option 1b**: Send a Customer Information Number (CIN) to the IHD to verify with the consumer
- Potential to use where uncertain about selection on MPxN
- Limited to customers with smart meters/IHD

Option 2 – Regulation

- Potential to increase the regulatory measures that could be taken against a supplier that erroneously transfers a customer
  - **Option 2a**: Requiring a supplier to pay compensation to the consumer.
  - **Option 2b**: Performance assurance measures under industry codes.
  - **Option 2c**: Enforcement of licence conditions by Ofgem.

Option 3 – Reform ET data flows

- Automate data flows alerting suppliers as to when an ET has occurred.

- We would like to take the opportunity with COSEG to review improvements could be made to data flows between suppliers for resolving ETs; in particular in cases where security keys for SMETs meters need to be installed to correct a configuration.

Erroneous Transfers

Criteria	Option 1 Verification of MPxN	Option 2 Regulation	Option C Reform ET Data flows
Speed	May offer a faster way for suppliers to be sure that they are transferring the correct site. May add some delay if consumers have difficulty accessing the information.	Sanctions for suppliers could result in a slower sales and transfer process	Potential to return customer to their preferred supplier more quickly
Ease	May be easier for customers to provide information to help confirm that the correct site is to be transferred (than for example looking on meter for serial number)	No impact	No impact
Accuracy	Helps ensure the correct supply point is switched	Would encourage suppliers to take care when requesting a switch	No impact
Coverage	Only works for SMART meters supported by DCC	Works for all meter types	Works for all meter types
Consumer expectations	Ensures the correct supply point is switched but adds an additional step, potential confusion and delay to the transfer process	Helps meet customer expectations on accuracy of transfer but may slow the transfer process	Helps meet customer expectations that they should be returned quickly and without fuss

Erroneous Transfers

Criteria	Option 1: Verification of MPxN	Option 2: Regulation	Option 3: Reform ET Data flows
Design - flexibility	No impact	No impact	No impact
Design – robustness	tbc	May rely on regulatory intervention to secure compliance with standards	tbc – are additional performance assurance measures required to meet consumer expectations?
Integration	Makes use of the ESCo facility	No impact	Potential to return customers more quickly if transfer process is shortened
Solution cost/benefit	Uses ESCo facility so not expected to increase central system costs. May lead to more customers dropping out of the sales process due to the perceived hassle factor. Potential for increased supplier administration costs in sending of messages managing responses from consumers	Cost of performance assurance measures could be proportionate to the benefits to consumers	tbc
Implementation	Would it be used if a voluntary process only?	May require changes to the regulatory framework. Some changes could require agreement of suppliers. Potential that compliance may be required under the proposed RMR 'Standards of Conduct' provisions or codify appropriate behaviours under the SoC.	tbc

Erroneous Transfers

Questions

- Are there any further options that should be considered?
- Are there differences in approach required between
  - Smart and traditional meters?
  - Domestic and non-domestic?
  - Electricity and gas?
- Opportunity for improved data quality to reduce ET rates?

Further evaluation of options identified at next meeting

Ted Hopcroft (PA – Consultant advising Ofgem)

DATA TRANSFER AND ACCESS

Agenda

- Background
- How is data currently transferred?
- Does technology create time constraints?
- Opportunities from smart
- Opportunities for reform

Background

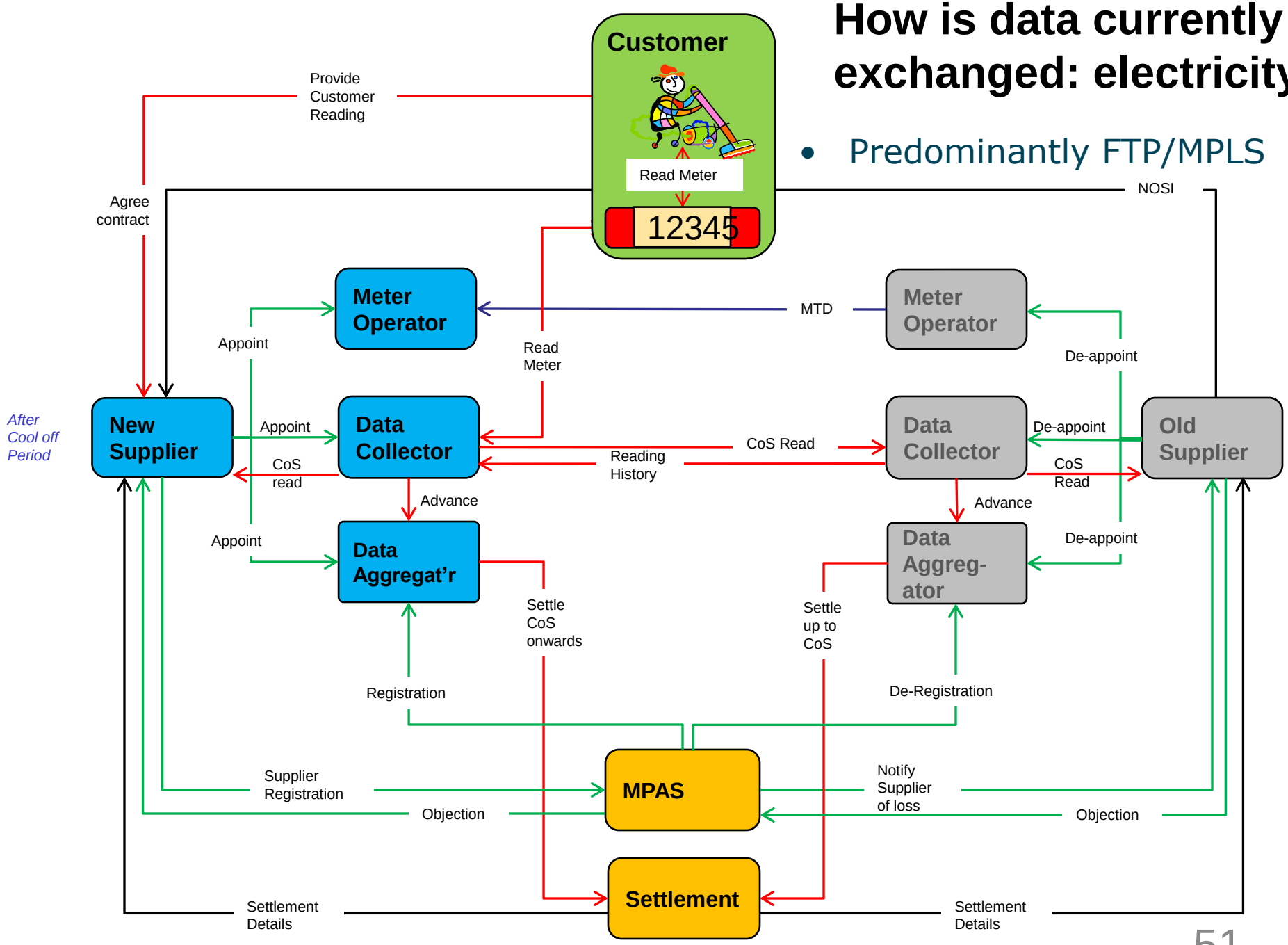
- Electricity and Gas data transfer designed in the late 90s.
- Some incremental improvements to the process, but underlying technology remains largely unchanged
- Advances in technology significantly improve the ease of data exchange and access. In addition, industry consolidation and substantial replacement of legacy systems
- Smart offers transformation opportunity through direct access
- Other markets based on modern technology offer one day change

Opportunity

- Could technology change significantly improve transfer?
- To what extent are timelines due to transfer rules/processes independent of technology?
- How should process and technology change be enacted together?
- Quick wins, or centralised registration as a catalyst?

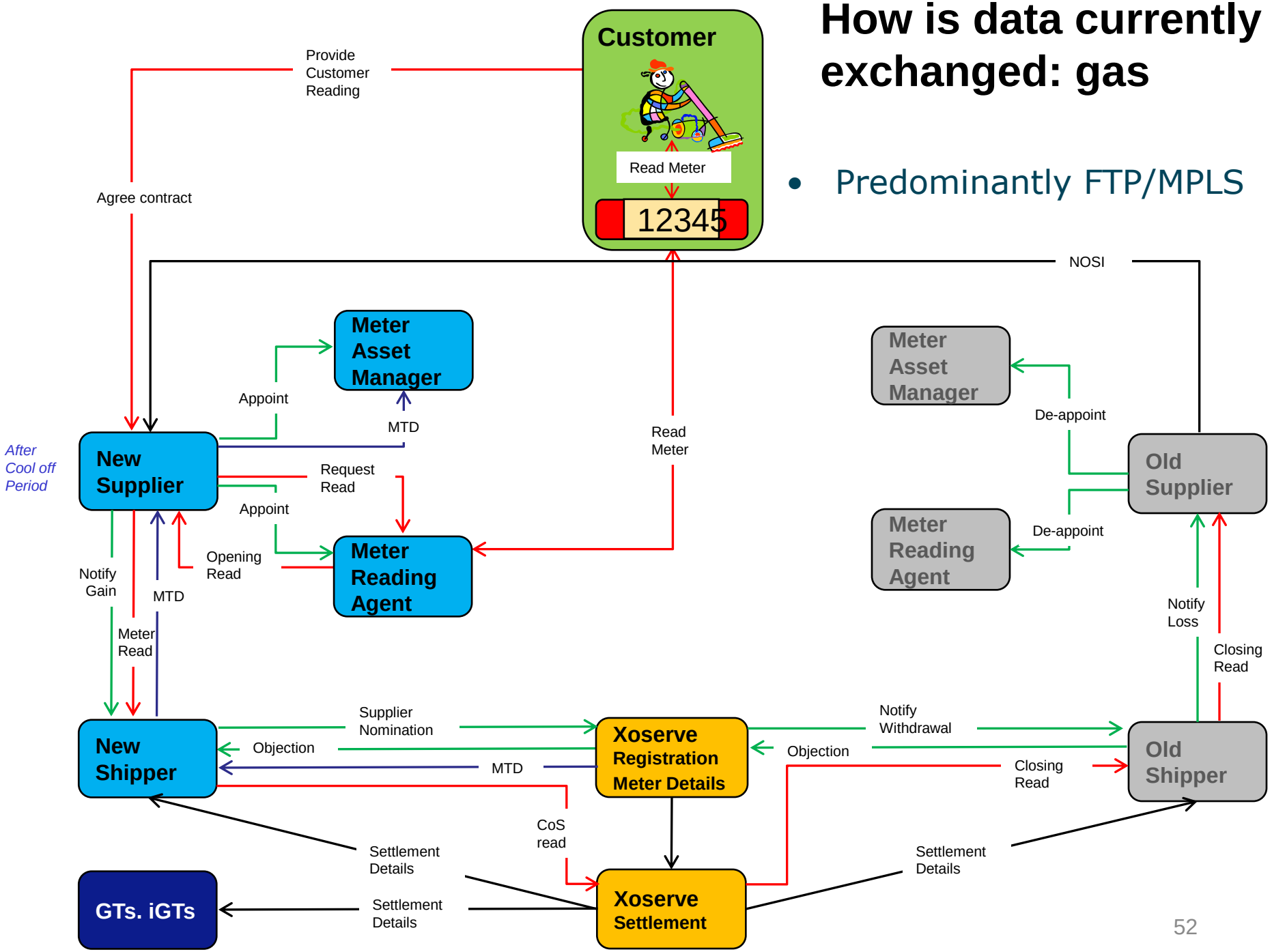
How is data currently exchanged: electricity

- Predominantly FTP/MPLS

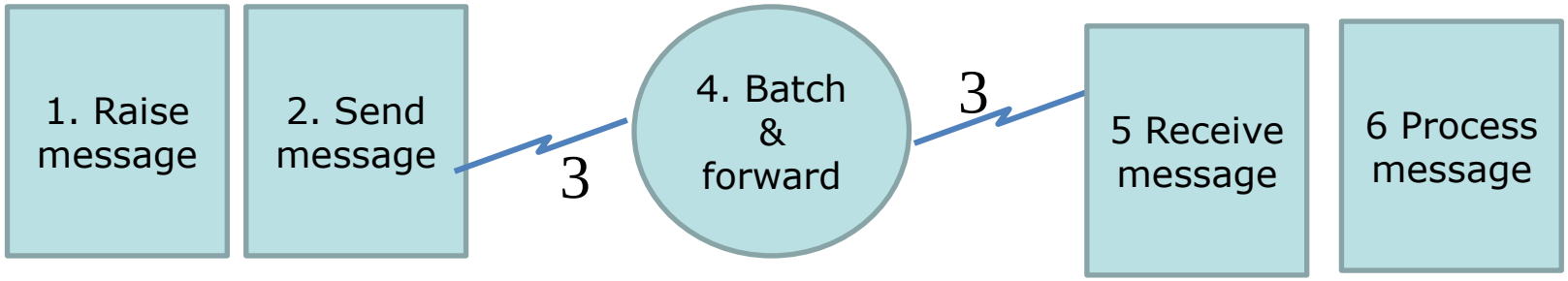


How is data currently exchanged: gas

- Predominantly FTP/MPLS



Could Technology Improve Time of Transfer? What are the constraints to change?



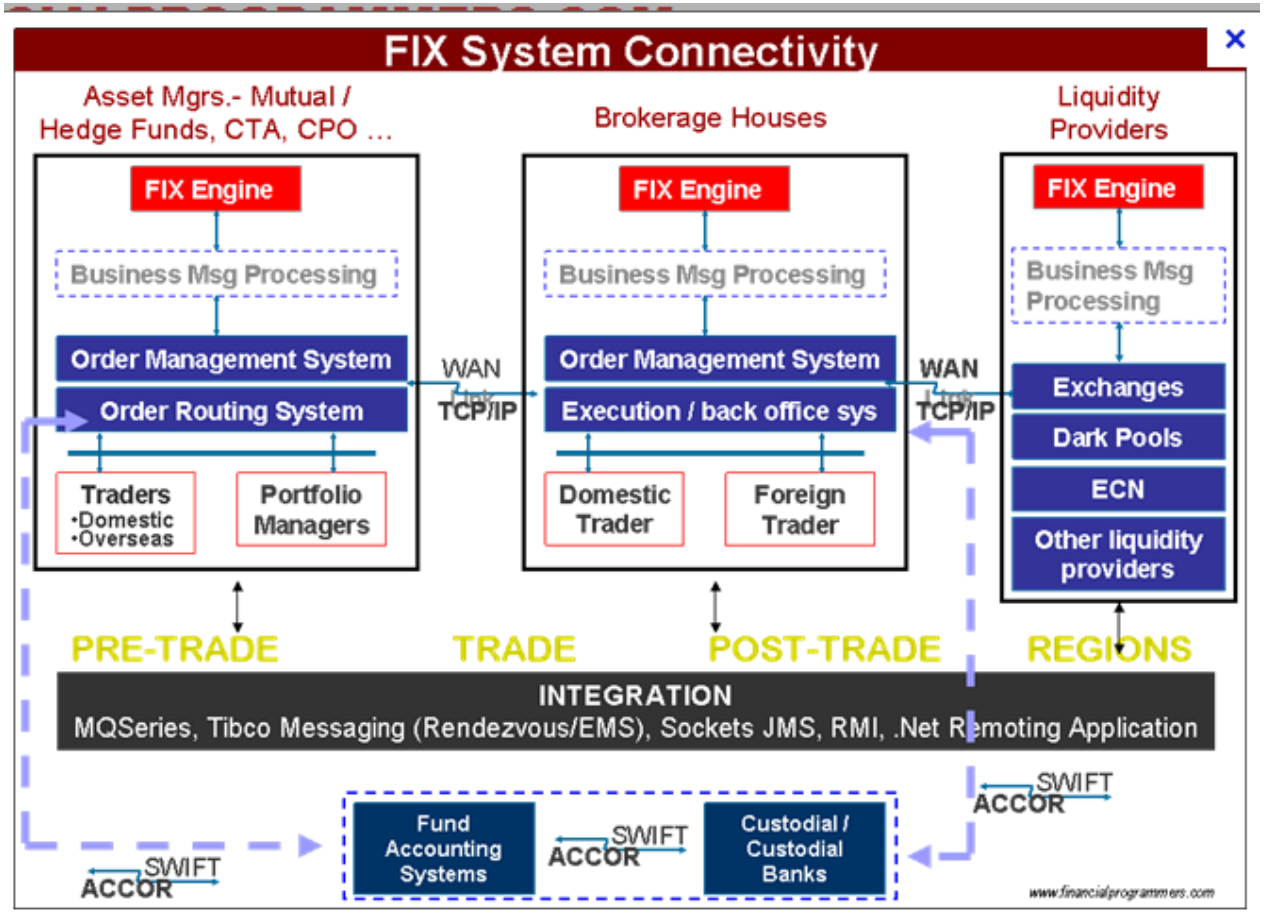
1. System needs to be capable of raising real-time message
2. Participant needs facilities to send near real-time messages
3. Network needs sufficient bandwidth
4. Avoid delays in:
    1. Batching up messages for efficiency
    2. Time dependencies between messages
5. Participant needs facilities to receive near- real-time messages
6. Systems need to be able to 'instantly' process message

Could Technology Improve Time of Transfer?

Dependency	1996	2013
Bandwidth	Bespoke/expensive	Freely available/cheap
Processor Power	Expensive	Substantial reductions
Storage	Expensive	Substantial reductions
Message encoding	Size management critical	Size restriction alleviated
	Bespoke standards	International standards (XML)
	Typically batch	Move to real-time

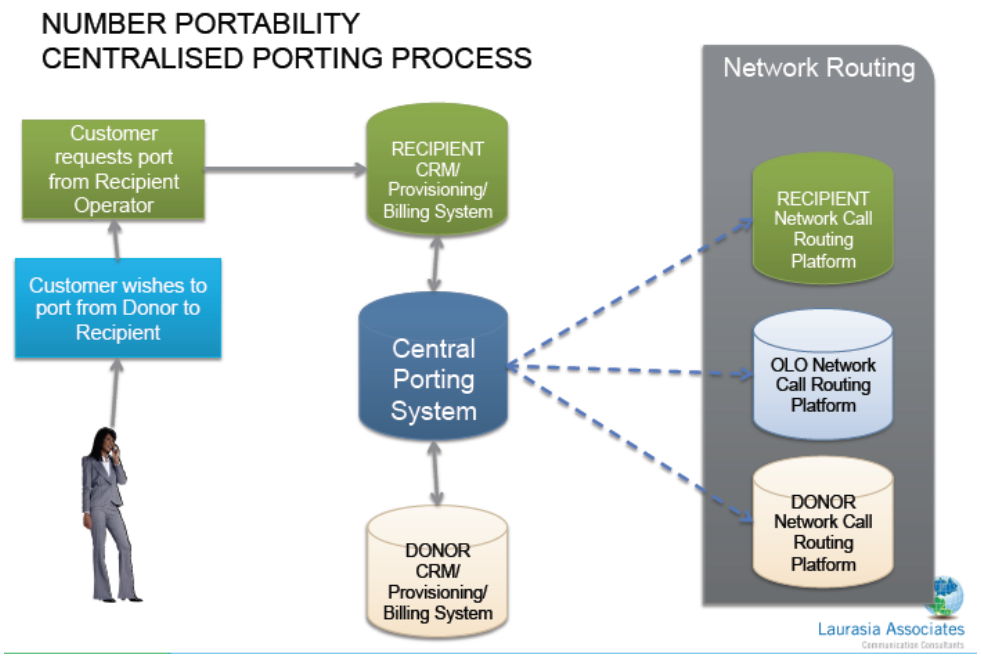
- But, impact of legacy arrangements...

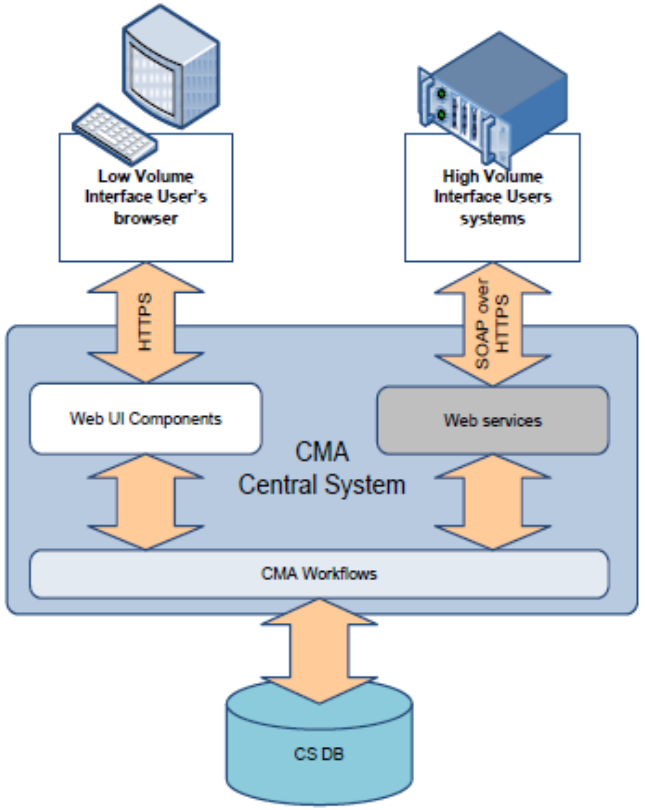
How have other industries addressed this?



- Move to 'Straight Through Processing'
- Open standards based on XML/Web Services
- Separate processors
- Integration layer 'Enterprise Bus'
- Standards bodies, eg: ACORD

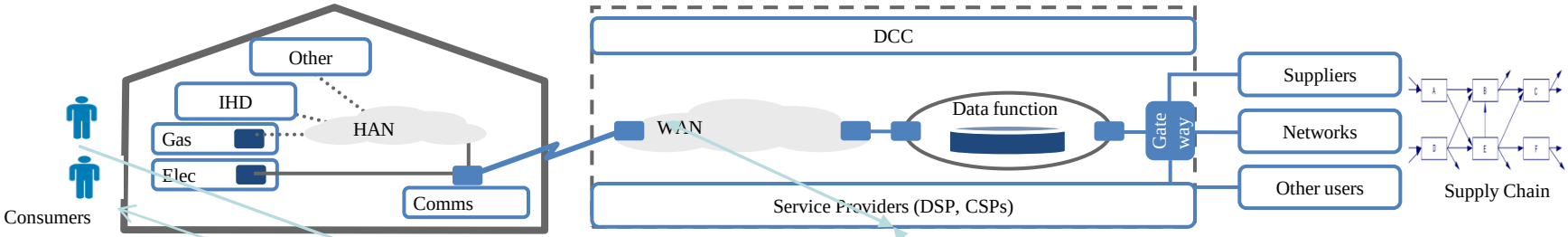
How have other industries addressed this?





LVI (Web UI Components) and HVI (Web services)

Opportunities of smart: real-time access/ centralisation of registration

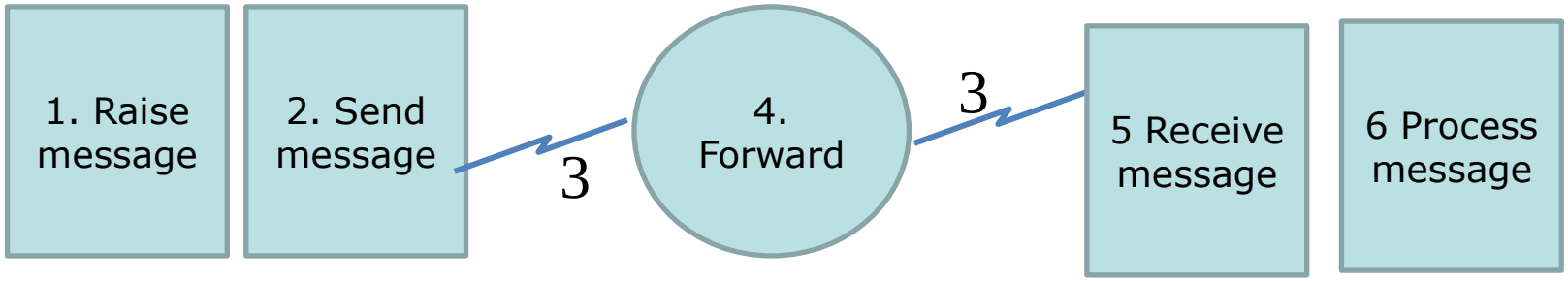


Ping Meter

Projected:
30 seconds
£0.0008

Advise customer

Could Technology Improve Time - Strawman



1,2 Standards such as XML/Web services facilitate real-time message delivery

3 Bandwidth now 'cheap'

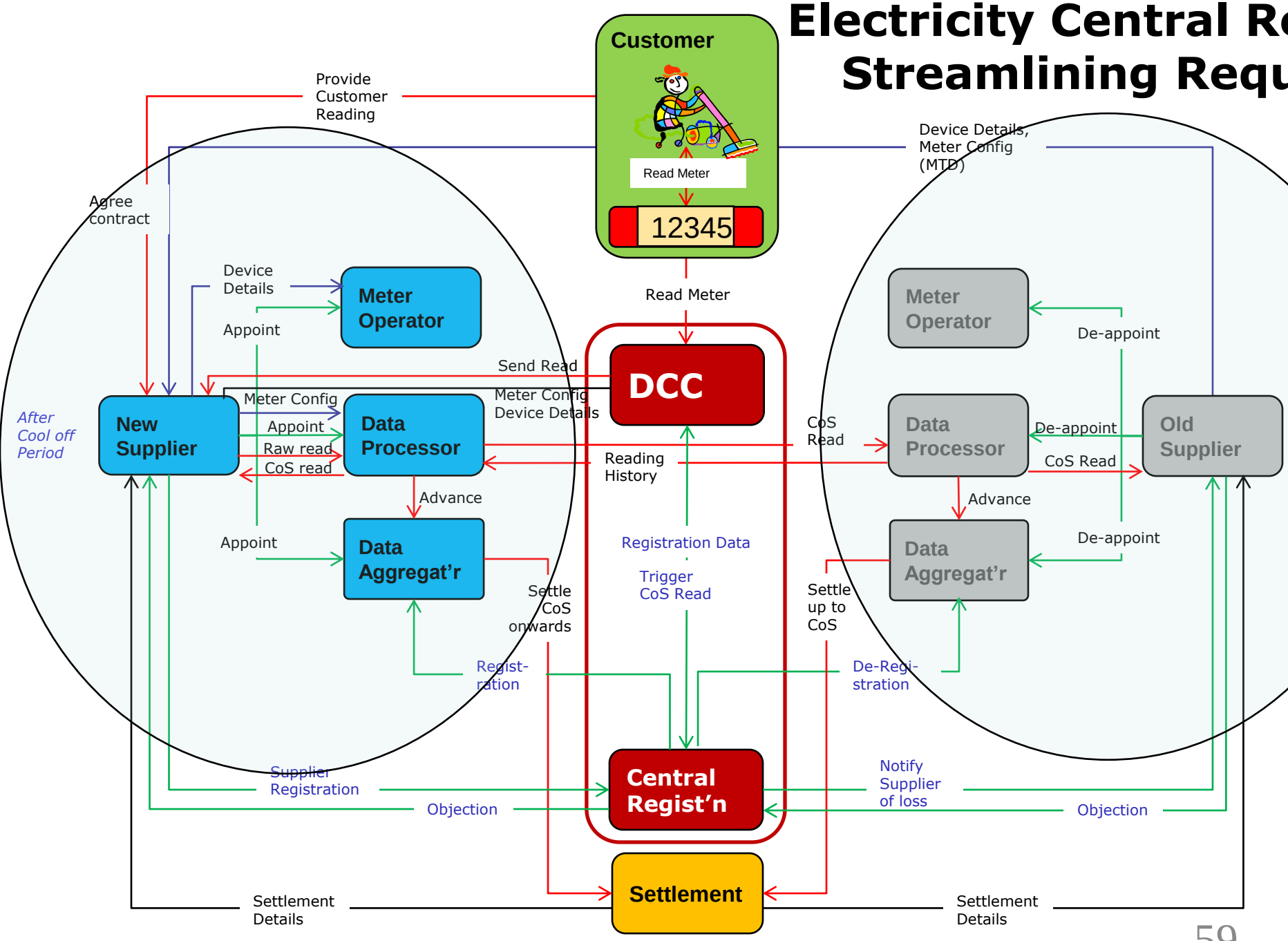
4 Standards such as XML/Web services facilitate individual, not batch, delivery

4 Centralisation of registration reduces data access requirements

4 Time delays and dependencies between flows would require substantial review, but parallel processing could be facilitated

5,6 Core systems could remain a constraint, but opportunities on: streamlining process; availability of data; removal of errors; front end processing; use of upgrades to support DCC interaction

Electricity Central Reg
Streamlining Requi



Initial Options for Reform

Short Term	Strengths	Weaknesses
1. Do nothing – focus attention on other areas	Avoids technical change in parallel with smart metering	No Progress
2. Upgrade DTN/IXN to allow priority messages and greater user access using web services	Move to more modern architecture Speed up some flows	Does value justify expense? Technically feasible? How driven?
3. Focus in on key messages and data that makes a difference; central bodies to implement web services for them. Review rules	Benefit if key flows/data can be identified	Does value justify expense? Technically feasible? How driven?

Initial Options for Reform

Longer Term	Strengths	Weaknesses
4. Focus in on key messages and data that makes a difference. Review rules move DTN/IXN to these	Use existing central and participant architectures. Allows time to focus on key data/flows Not dependent on Registration	Expanding parallel architectures in industry
5. Focus in on key messages and data that makes a difference. Review rules	Avoids more technical change in parallel with smart metering	No progress until central registration
• Examine feasibility of including these in the centralisation of registration	Use new architectures and avoid risk of expense and complexity	
• Utilise DCC real-time architecture and suppliers mandated real-time architecture to provide more real-time service	Do under centralisation regulatory approach	

Rowaa Mahmoud

UPDATED COS DATA

DRAFT

Number of transfers - Domestic

See caveat in slide 4

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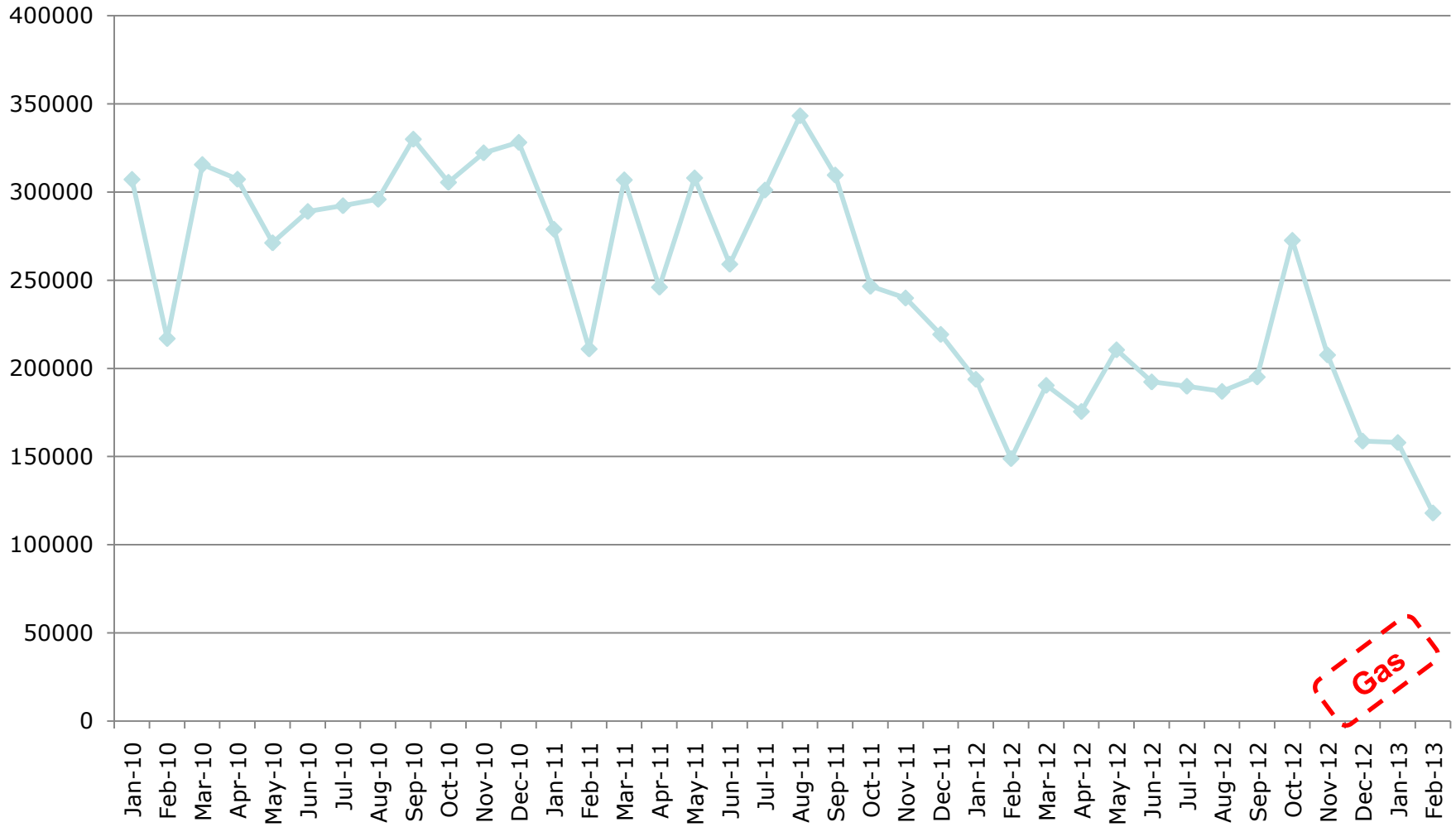
Number of transfers - Domestic



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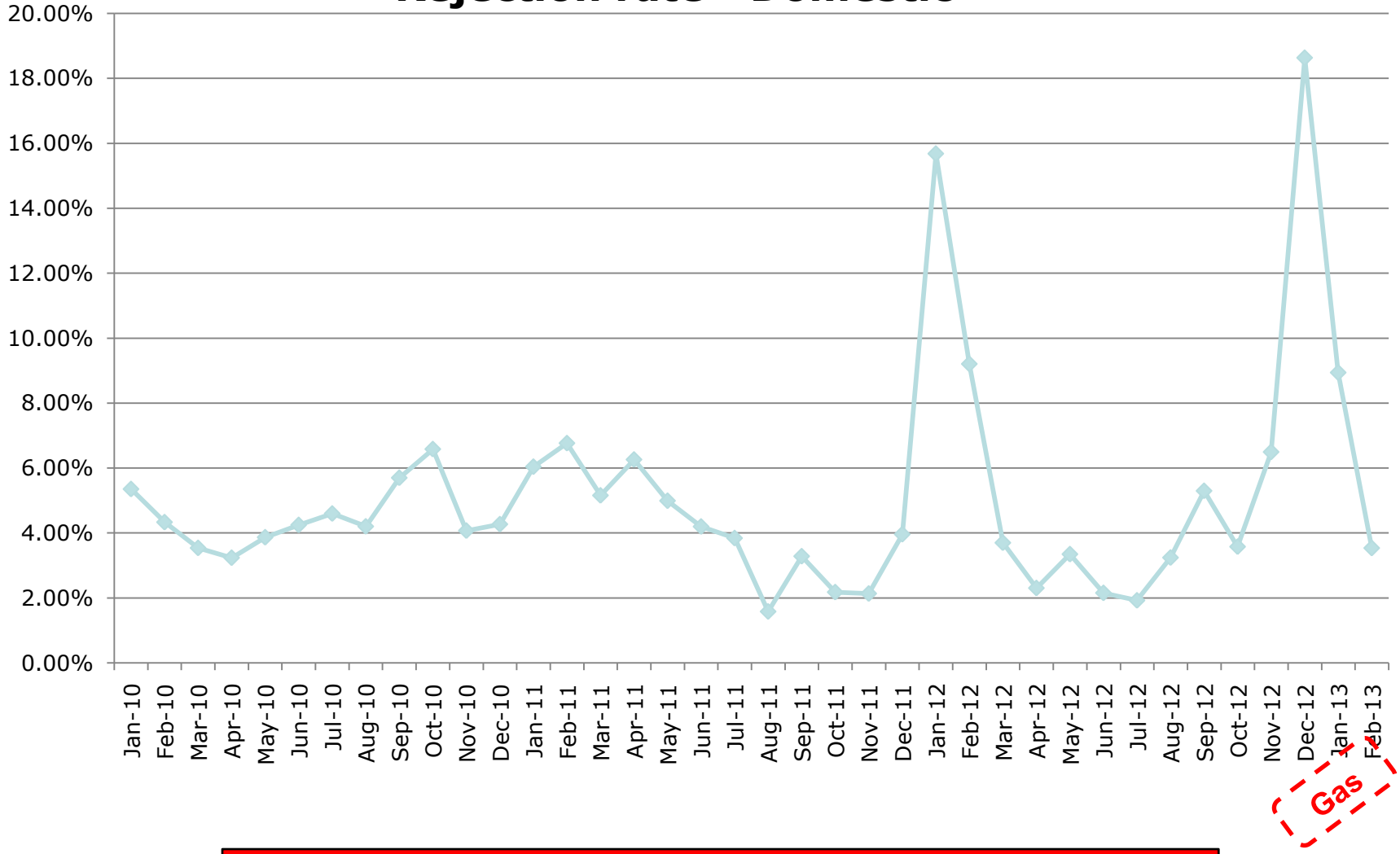
Rejection rate - Domestic



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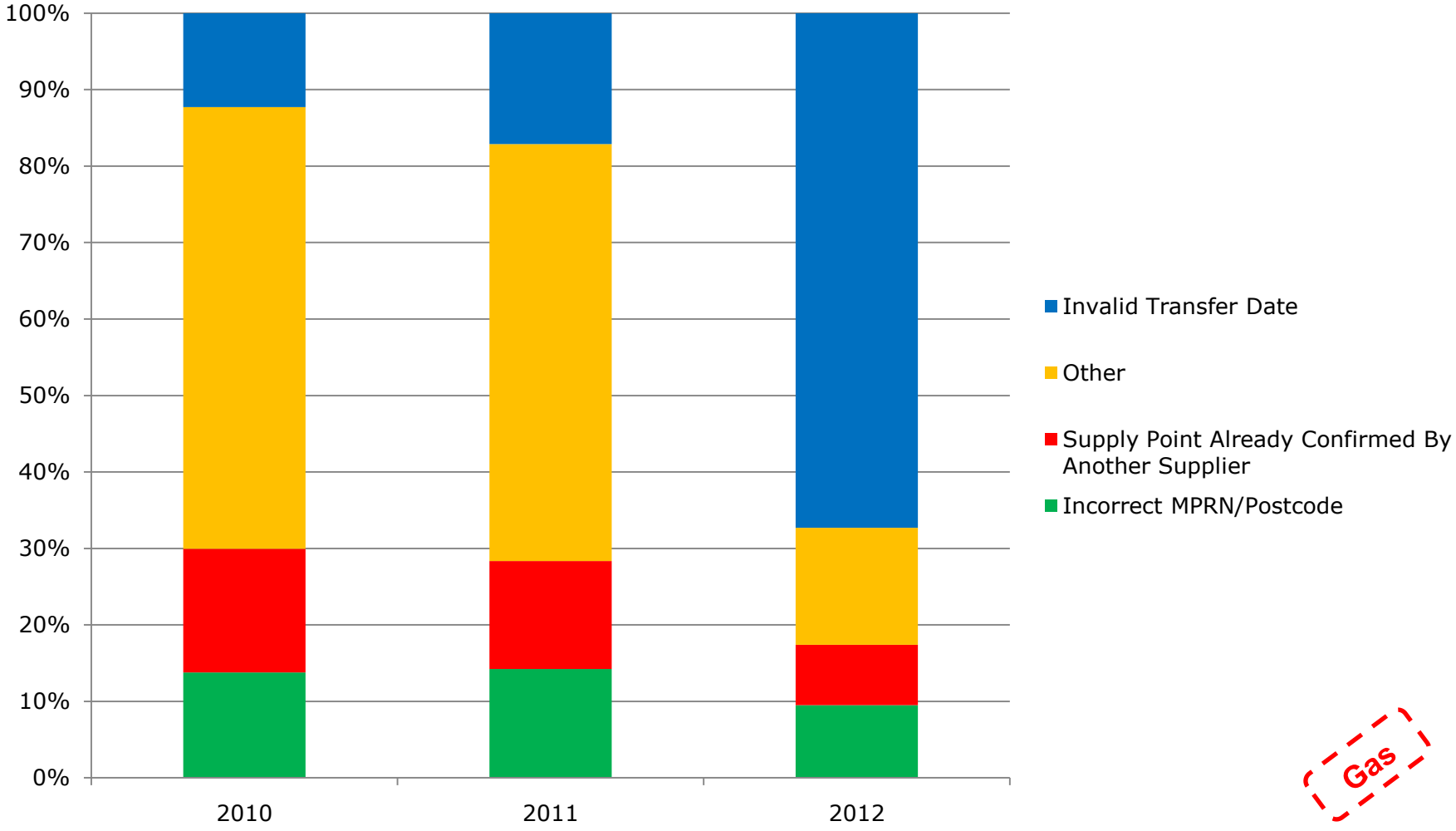
Rejection reasons - Domestic

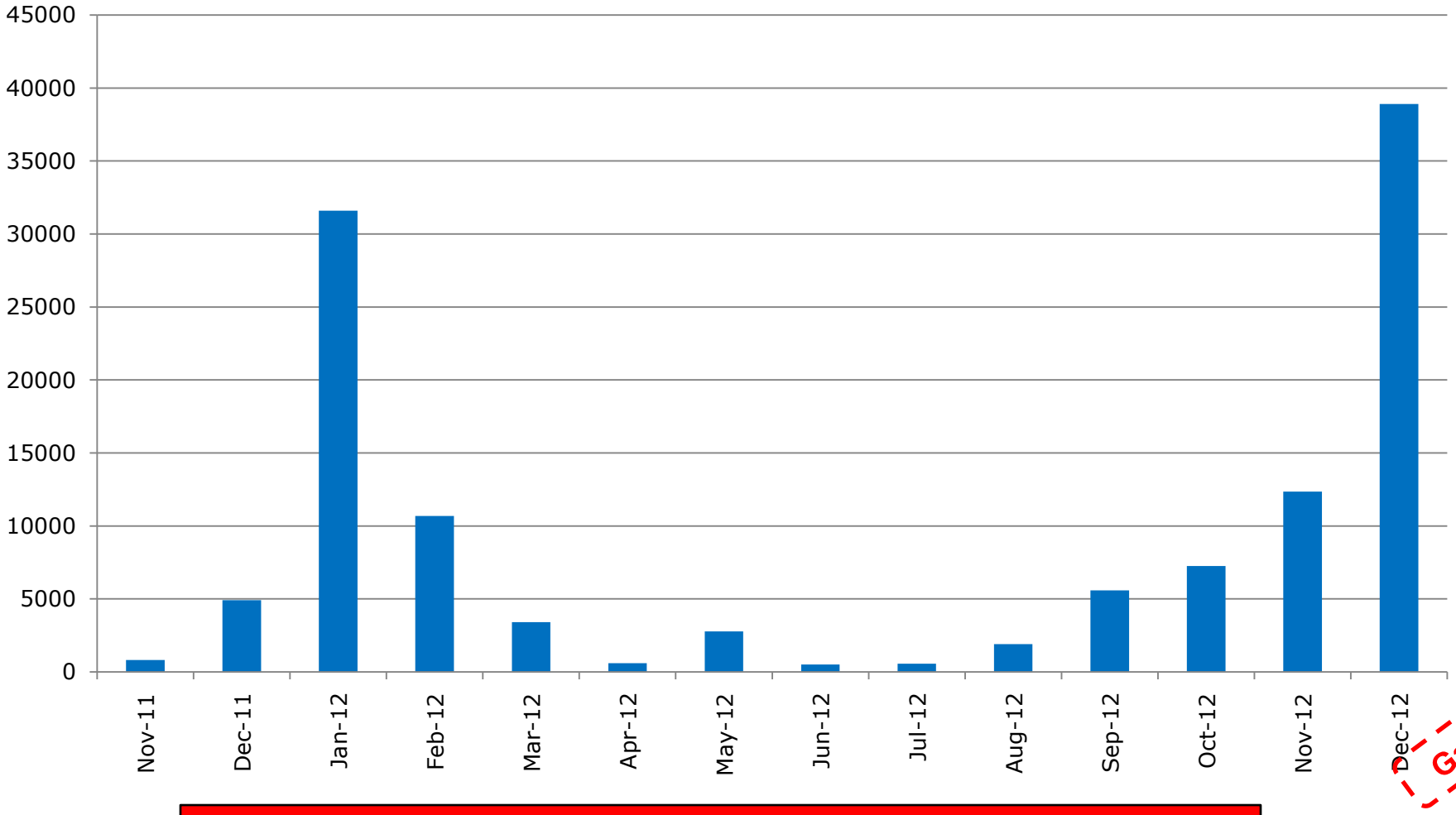


Gas

See caveat in slide 4

DRAFT

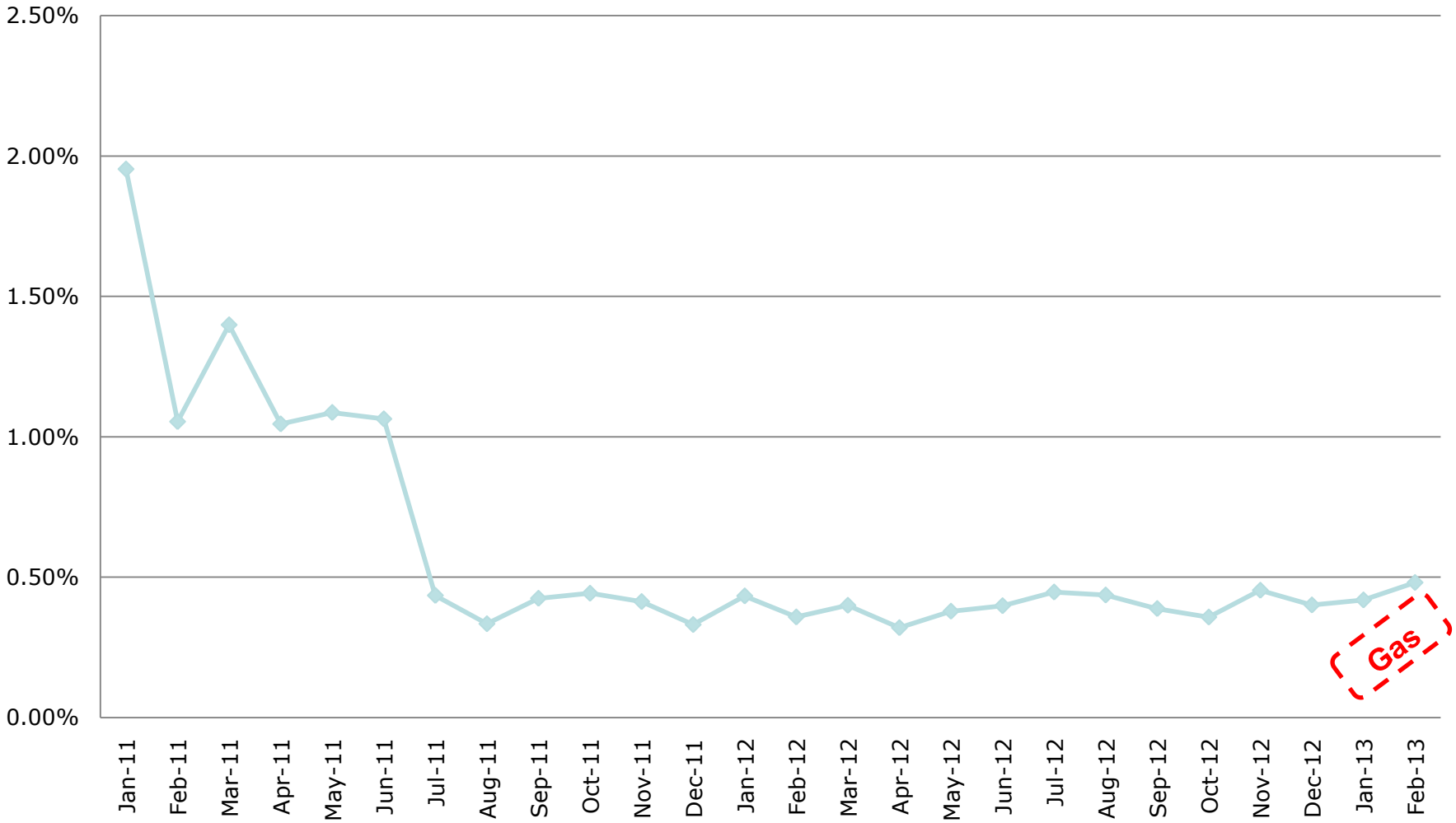
Invalid transfer date (previous winters) – Domestic



See caveat in slide 4

DRAFT

Confirmation withdrawal rate - Domestic



See caveat in slide 4

WRAP UP

Wrap up

- Review of work plan
- Date and location of next meeting
- Date for Glasgow meeting
- AOB

COSEG WORK PLAN

Purpose	20/5	10/6	01/07	22/07	28/08	09/09	01/10
Initial discussion on options	Objection process Confirmation window (gas only)	Erroneous transfers Data transfer and access requirements	Centralising registration services Registration processes (inc cooling off period and gas nomination	Data ownership and governance Access to metering data and support for metering market	Security keys? Billing standards?	Outstanding issues Review of end-to-end process	
Further discussion on options and evaluation		Objection process Confirmation window (gas only)	Erroneous transfers Data transfer and access requirements	Centralising registration services Registration processes (inc cooling off period and gas nomination	Data ownership and governance Access to metering data and support for metering market	Security keys? Billing standards?	Outstanding issues Review of end-to-end process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