Minutes

Change of Supplier Expert Group (COSEG):Meeting 2

Minutes of the second meeting of COSEG.	From	Ofgem
	Date and time of Meeting	10 June 2013 10:30-15:00
	Location	Ofgem, 9 Millbank

1. Welcome and introduction

1.1. A full list of attendees is set out in Appendix 1. The materials presented at the meeting are published on the Ofgem website.

[*Following the meeting on 10 June we have undertaken some further analysis of the charts presented at the meeting on supplier switching performance and have made some corrections. The charts published on the Ofgem website show the amended graphs rather than the information presented at the meeting. The graphs are based on information provided to Ofgem by the Big six suppliers for the domestic market. We have only undertaken limited validation of these data submissions, which are provided by suppliers on a voluntary basis, and the graphs should be considered in that context.*]

1.2. The Chair, Andrew Wallace (AW), welcomed members to the meeting.

2. Reform options- Objections:

2.1. Nigel Nash (NN) presented aggregated data on objections in the domestic electricity and gas market provided by the Big 6 suppliers. The data set used was from January 2010 to February 2013.

2.2. On average, the objection rate was around 5% to 6% in electricity and around 7% to 8% in gas. Supporting analysis from Xoserve on multiple objections in the gas market between 1 June 2012 and 1 June 2013 highlighted that, where a transfer had been objected to, it tended to be objected to more than once and that this may "inflate" the objection rate in terms of the numbers of actual customers that had their transfer blocked. The ENA took an action to provide equivalent data on the frequency of multiple objections in the electricity market.

Action: ENA

2.3. The percentage of objections that were subsequently withdrawn was around 2% to 3% in the electricity and gas markets.

2.4. In terms of the reasons for objection being made, the vast majority (around 95% in gas and 86% in electricity during 2012) of objections were debt related. One attendee suggested that the reason why there are fewer objections in gas aimed at stopping erroneous transfers (ETs) (i.e. co-operative objections and customer requested objections) was the ability to withdraw registrations in gas. Just under 0.5% of registration requests were withdrawn in the gas market. This was not a feature of the electricity market.

2.5. NN recapped the reform options discussed during the last meeting and the additional options suggested by COSEG members (see minutes of COSEG1 here). The following summarises the discussion on each of the options.

2.6. On option 1, (No objection process), one attendee noted that if the ability to object was removed in certain circumstances, this would lead to the industry socialising the higher costs of debt and contract management.

2.7. One attendee suggested that a debt transfer protocol for credit customers could be introduced if debt objections were removed. Several attendees were concerned that this added additional commercial risks for suppliers which would feed through to the pricing and contract terms for customers.

2.8. The group acknowledged that suppliers were more comfortable with taking on PPM customers with debt because there is greater security around getting money back. The ability of smart meters to operate in PPM mode could help facilitate assignment of debt when a customer transfers. In response to a request, Ofgem agreed to provide any publically available information on outstanding debt levels and age profiles to the group.

Action: Ofgem

2.9. AW reiterated that the broader policy on removing objections was not within the scope of this group and that in this regard, views were being requested on the technical implications for the CoS process of removing the objections process.

2.10. On Option 2, (Roll-backs), COSEG confirmed that the option 2 should not be considered further as it did not work well for smart meters. In particular, the new supplier may have reconfigured the meter and it would be difficult to reinstate the previous supplier's meter configuration arrangements without going through a new change of supply event. It may also be difficult to explain to the customer what had happened in terms of how their consumption was being recorded over this period.

2.11. One attendee suggested that the right to cancel a contract during a cooling-off period should not be forgotten and a way of unwinding a customer transfer in this scenario should be explored. AW said that the cooling-off period would be discussed at the next COSEG.

2.12. On option 3, (shorter objection window), attendees confirmed that most debt and contract objections took place within 1-2 working days of the objection window. Only certain objections (such as cooperative and customer requested objections) were typically raised at the end of the window. If the objection window was shortened, these objections would be the one most affected. This could potentially increase the number of ETs. AW noted the link with ETs and said that it was important to address their root cause rather than just relying on customers spotting these and trying to get the transfer blocked.

2.13. One attendee noted that, regardless of what options were being discussed, customers were unaware of how debt could impact on their desire to switch supplier. They suggested that greater efforts should be made to increase awareness so that customers could address any issues in advance of a proposed switch.

2.14. One attendee said that a short objection window would not provide time for the additional manual checks that were needed to identify whether an objection could or should be made. There was concern that these timescales assumed that the objection process worked perfectly and did not allow time for exceptions. In some instances, a supplier for a larger customer may wish to avoid objecting as part of the customer relationship management and that this may require a manual check.

2.15. One attendee said that some form of human interaction may be necessary, particularly with larger customers where the circumstances for deciding whether to object are more specific and harder to automate.

2.16. One attendee questioned the value of shortening the objection period for large customers. These customers typically operated fixed-term contracts and were aware, well in advance, of when they needed to take action to change supplier. By contrast, this was not always true for smaller customers.

2.17. On option 3c (shorter objection window – one/two days), two attendees suggested a correction on the assessment against criteria chart, the box relating to "Design robustness" shouldn't be red because it will require the same regulation as we have with the current system. AW agreed that the assessment for all of the options against these criteria should be amber and that this would be amended on the slides when published on the Ofgem website.

2.18. AW noted that Ofgem wanted to explore the potential for faster objections and asked whether a 2-hour window would be enough for suppliers to process objections. One attendee noted that, to comply with this, suppliers would need automated processes and that there may be similarities with the effort that a supplier had to make under option 4 for objection status to be maintained on a central register.

2.19. On option 4 (suppliers maintaining a central register of objection status), one attendee noted that suppliers would need to keep the database (where objection flags will be entered) in sync with their own systems. They were concerned about the potential data quality and management issues and the potential misuse of these flags. This may lead to incorrect objections being made. Another attendee noted that under this approach, if a supplier did not update the objection flag for any reason, they would lose their right to object. This may not be in consumers' interests if they are in a legally binding contract with the incumbent supplier. The attendee was also concerned that this approach would make it difficult to tailor their processes to meet the needs of certain customers.

2.20. One attendee was concerned about the potential misuse of objection flags with suppliers registering a flag just to be "safe". Another attendee welcomed the central register option but suggested that further thought should be given to its implementation requirements. They noted that in the telecommunications market, the responsibility is on the customer to be aware of their contractual position and that will often result in early termination charges.

2.21. One attendee noted said that customers who were transferred or objected to in error should be offered compensation.

2.22. AW referred to the additional option (4b) which was suggested by COSEG members in order to give the gaining supplier access to the central register of objection in advance of the transfer. He noted that one of Ofgem's concerns is the potential for suppliers to access the database and decide not to take on certain customers, for instance, those customers with a debt. On attendee noted that there were processes for managing a prospective new supplier's access to data for ECOES. Data access for ECOES is monitored to make sure that parties are not accessing data without the relevant permissions. A similar monitoring arrangement could be employed for objection status data.

2.23. AW noted the views of the group that there may be practical concerns about maintaining a central register of objections. Two attendees agreed, but expressed support for this option and said that it should be further developed.

2.24. AW noted the preference of some suppliers to have a degree of manual intervention in processing objections and that this may differ between market sectors. He also recognised that suppliers currently used differing levels of automation to manage the process. Ofgem was however, keen to understand more about the extent to which full automation was possible. Suppliers agreed to provide further detail on the role of manual processing in supporting their ability to object to customer transfers, in particular, what elements could or should not be automated.

Action: Suppliers

2.25. One attendee noted that the discussion about non-domestic objections had focused on the larger non-domestic customers such as supermarkets and noted that the issues for SMEs should be addressed as well.

2.26. One attendee noted that the limits in the energy market are technological; suppliers do batch processing overnight at the moment because that is the most efficient mechanism but this could be changed. One attendee asked Ofgem to take into account that batch processing needs not to be overnight and for many of the processes it is done much more frequently ie within day, but was still an efficient method of processing data.

2.27. One attendee noted that in gas, the new supplier has the right to terminate a registration. They considered this would be a valuable addition to the electricity market. Ofgem agreed to consider this at a later meeting.

2.28. The group suggested an additional reform option of using the cooling-off period to identify whether an objection was likely and communicate this to the customer so that any issues could be resolved. One attendee suggested an additional option 1b, whereby there is no objection process but there is a debt assignment protocol extended to credit customers.

2.29. One attendee suggested that, for options which rely on having flags in central systems, there could be a hybrid where suppliers rely on these flags for the majority of cases, but there could be an additional time period for suppliers to consider amending their decision. This would in effect provide a two stage process which merged together options 3 and 4. One attendee suggested a further hybrid whereby suppliers could have the choice of using either option 3 or option 4. Ofgem agreed to give further thought to the views expressed by COSEG and consider whether there was merit in a further discussion at a later meeting.

3. Review of minutes and actions from last meeting

3.1. AW reviewed the minutes from the last meeting. There were no comments on accuracy and the minutes were agreed.

3.2. In relation to Ofgem's action on providing further detail on switching in other markets, one attendee ask Ofgem to consider fixed line telephony in the UK market. Ofgem agreed to consider further.

Action: Ofgem

4. Review amended Terms of Reference and Evaluation Criteria

4.1. AW reviewed the amended terms of reference which had been updated to reflect comments from the previous meeting. One attendee suggested that in paragraph 2.3 on the centralising DPDA market paragraph (2.3), it should read 'energy market', not 'electricity market'. With this further change, the group agreed the terms of reference. The new paragraph will read:" The arrangements for suppliers to access the metering data that they require on change of supply to bill customers and provide consumption data to settlements. This will include the case for centralising data processing and data aggregation (DP/DA) services in the gas and electricity markets (NB the scope will not include reforming the nature of the DP/DA services but focus on how and by whom they are provided)."

4.2. AW reviewed amended evaluation criteria which included comments from the previous meeting. Ofgem had also proposed a further change to allow its reform proposals to "exceed" consumers' expectations. The group agreed the revised evaluation criteria.

5. Reform options- Confirmation window (gas only):

5.1. AW recapped the reform options discussed during the last meeting (see minutes of COSEG1 here).

5.2. Steve Nunnington explained Xoserve's analysis on value of its interventions to improve demand attribution during the confirmation window. Xoserve provided information on the interventions during January 2013, which they considered to be a broadly representative sample. The analysis suggested that the value of the interventions were of low materiality. He confirmed that there were a number of additional processes that currently took place within this window for example on isolations and Xoserve were giving further thought to the impact of removing or reducing the confirmation window on these.

5.3. One attendee said that an attribution issue still exists for NDM sites. Next day transfers might create a commercial risk that a losing supplier is unable to trade out of their position and will receive out of balance charges. The group further considered that whilst the loosing supplier may have limited time to trade out of any imbalance position, any risks may be mitigated by enforcement of contract length for non-domestic customers through the objections process. The issue may be greater for small domestic suppliers where transfers could have a greater impact on their overall portfolio position.

5.4. One attendee noted that they are currently considering the introduction of an extra period between the objection window closing and the transfer date into electricity for smart meters. The intention is to make sure that the smart meter can be updated by the new supplier so that it is reconfigured at the time of transfer. This was thought to require hours rather than days.

5.5. One attendee suggested appropriate time should be allowed between the objection window closing and the transfer date for market participants to manage exceptions.

5.6. One attendee suggested that, on the assessment of the reform options the red box under option 1, "Design – flexibility", should be amber. AW agreed to amend the slides when they are published on the Ofgem website.

5.7. AW noted that Project Nexus had been referenced at the previous COSEG and asked whether any potential related impacts had been identified. One attendee noted that Project Nexus envisaged making changes to the settlement arrangements for sites the next day. If within day transfers were contemplated then this may have implications.

5.8. AW asked about the group's opinion on whether removing the confirmation window might be a quick win. The broad consensus was that the integrated nature of the gas arrangements meant that this change should be considered carefully and as part of the longer term CoS project.

5.9. One attendee noted that some electricity suppliers undertake next day transfers where there has been a change of tenancy. This was thought to be in the region of 150,000 transfers per year. This was thought to be a useful comparison to the volume of gas customers that may benefit from this option. Gemserv agreed to provide some further information on how many change of tenancy transfers happen next day.

Action: Gemserv

5.10. One attendee noted that National Grid Transmission (NGT) may have concerns related to security of supply associated with removing or reducing the gas confirmation window. AW agreed to discuss with NGT.

Action: Ofgem

6. Reform options- Erroneous Transfers

6.1. AW set out Ofgem's high level aim to eradicate or, if not practically possible, substantially reduce the number of erroneous transfers. He noted that the current erroneous transfer rate is around 1% of transfers (excluding Customer Service Returners). He noted that the erroneous transfers' impact for smart meters was likely to be more significant as it could lead to disruption in supply, for example where a credit meter was remotely reconfigured to PPM mode without the customer's knowledge. AW noted that shortening the objection window will reduce the opportunity to block potential erroneous transfers.

6.2. AW set out the regulatory framework around erroneous transfers which included the Erroneous Transfers Customer Charter (ETCC) to return a customer that had been erroneously transferred (ET'd) to their previous supplier. He noted that under Energy UK, some suppliers had also agreed to pay compensation if the customer was not informed within 20 days that they will be returned.

6.3. AW said that Ofgem wanted to explore the potential to engineer out ETs. If this was not possible, there may be potential to increase regulation to incentivise improvement.

6.4. AW noted that the reported reasons for ETs were: the supplier picking the wrong MPxN to transfer, misleading sales practices, not processing a customer's request to cancel a contract and forgery by sales agents.

6.5. The majority of ETs were reported as having resulted from the supplier choosing the incorrect MPxN. One attendee suggested that this resulted in part from poor data quality in registration systems. If the customer does not provide their MPxN to the gaining supplier, then suppliers will seek to get it through central systems and associated enquiry services. There were particular issues of concern about updates for new build sites when plot numbers were converted to addresses.

6.6. One attendee suggested that the use of Unique Property Reference Numbers (UPRNs) could help with address data quality. This is a database created by Local Authorities to match premises to ordinance survey data. The group considered that it was unclear at this stage how this data could assist with reducing ETs.

6.7. AW asked whether there were parts of the market where the risk of ETs was higher. One attendee noted that flats, and in particular Scottish tenement blocks, were an issue. Another attendee noted that suppliers have different processes to try to minimise ETs. They did not consider that more regulation was the answer as suppliers already have the incentive, but the capability was missing.

6.8. AW suggested that, for next meeting, Ofgem would to seek more details from suppliers around the process by which they try to identify the correct MPxN to transfer following a contract sale.

Action: Ofgem

6.9. One attendee noted that suppliers may put efforts into understanding and cleansing data once they have won a contract with a customer. However, there were poor commercial incentives to update central systems. It was widely considered that this was a missed opportunity that should be addressed as ETs had a significant impact on consumers' experience of the market.

6.10. AW set out Ofgem's proposed reform options for Erroneous Transfer:

Verification of MPxN

- **Option 1a**: New supplier acting as an ESCO could access the meter and obtain a meter read to verify with the consumer.
- **Option 1b**: New supplier acting as an ESCO could send a Customer Information Number (CIN) to the IHD or other Consumer Access Device (CAD) to verify with this customer.

Regulation

- **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.

Returning an erroneously transferred customer

- **Option 3**: Are there any measures to improve the efficiency with which customers can be returned back to their previous supplier.

6.11. An additional option was also suggested by some attendees:

- **NEW Option 1c:** The new supplier acting as an ESCo could access the smart meter and obtain MPxN directly (the MPxN is held as a data item on the meter). COSEG members are asked to give further thought on how this could be used to help prevent ETs.

6.12. AW asked for COSEG members' views on whether the option 1 checks should be performed every time a customer wants to transfer or only in cases where there is a concern the wrong MPxN may be selected. One attendee asked whether there is a necessity to mandate these checks for certain customers. Another attendee noted that the gaining supplier should have the ability to terminate the registration in electricity and that this would help to reduce erroneous transfers.

6.13. One attendee suggests that customers should be compensated by the supplier that had erroneously transferred them, this would improve supplier standards. One attendee noted that option 2a already exists as the energy ombudsman can directs compensation if the supplier is transferred a customer in error, so this framework exists for micro-businesses and below. AW questioned whether payments were only made if the issue was not resolved quickly. He suggested that compensation could be considered as a new Guaranteed Standard of Performance. One attendee said that the challenge was to understand whether the supplier was at fault as the cause could be industry data quality. One attendee noted that the likely improvements to data quality linked to the roll-out of smart meters may help to reduce ETs.

6.14. One attendee noted that option 3 was less relevant as it did not solve the underlying issue.

6.15. AW asked each supplier to look at a sample of 50 ETs where the incorrect MPxN had been selected. In particular, Ofgem was interested in what further efforts could have been made to select the correct site.

Action: Suppliers

6.16. One attendee suggested that if DCC might be able to assist with improving data quality through the exercise of commissioning new smart meters and comparison between electricity and gas data.

6.17. AW requested COSEG members to consider reform options for erroneous transfers and their assessment against evaluation criteria as well as discussing with relevant stakeholders/constituencies.

Action: COSEG members

7. Reform options- Data transfer and access requirements:

7.1. Ted Hopcroft (TH), PA – Consultant advising Ofgem, reviewed the current data transfer and access arrangements in electricity and gas. TH noted that these had been designed in the late 1990s. Whilst there had been some incremental improvements that arrangements were largely the same.

7.2. TH said that advances in technology significantly improve the ease with which data can now be exchanged and accessed. The roll-out of smart meters also provided a step change through remote access to the meter. In other markets, such as mobile telecoms, the use of new data access and transfer arrangements helped to deliver fast, potentially within-day, transfers.

7.3. TH reviewed the potential constraints imposed by technology to improving the transfer timescales. This included the requirements for real-time messaging and, the needs for sufficient network bandwidth to avoid delays in batching and time dependencies between messages. COSEG members set out their view that technology did not present any constraints to achieving a very fast transfer process. The main concern was that the arrangements were overly complex and that this was the main inhibitor to quick transfers.

7.4. TH set out some potential reform options for data transfer and access requirements:

Short term

- **Option 1**: Do nothing: focus attention on other areas
- **Option 2**: Upgrade DTN/IXN to allow priority messages and greater access using web services
- **Option 3**: Focus on key messages and data that could make a difference; central bodies to implement web services for these.

Long term

- **Option 4**: Focus on key messages and data that could make a difference. Require DTN/IXN to support the sending of these messages using new technology standards.
- **Option 5**: Focus on key messages and data that could make a difference. Examine potential of centralised registration arrangements and DCC real-time architecture to process data using new technology standards.

7.5. Of the potential reform options presented, the preference of COSEG was for option 5. The group did not favour seeking quick wins by pursuing short term options.

7.6. One attendee noted that, for improvements to be realised, all market participants would need the same capability. One attendee was unsure about the benefit of real-time data transfer and suggested that it would be costly. They suggested that it was

important to get the right balance between the speed of transfer and cost/reliability. AW noted that understanding costs would be helpful for the proposed impact assessment. One attendee noted that the costs were likely to be different between suppliers.

7.7. One attendee noted that reforming data access and transfer arrangements would not deliver improvements without simplifying the industry rules, reducing exceptions and setting higher standards for how quickly things have to happen.

7.8. One attendee was concerned that the options presented only considered large suppliers. The cost of investing in new systems for smaller players might be significant, although some may find it easier to respond to higher standards.

7.9. One attendee noted that information was typically provided in advance of the maximum timescales allowed under industry codes. However, the sequential nature of the requirements meant that the process was taking longer than it could. They recommended tightening up the timescales.

7.10. One attendee noted that the new system should allow people to transfer on weekends and bank holidays and that these should be considered as business days.

7.11. The group agreed that reform of the data access and transfer arrangements should not be considered at the next COSEG meeting. Instead, it would be more beneficial to reconsider the issues in the light of the end-to-end reform proposals. AW agreed to reschedule the further discussion on this to a later COSEG meeting.

8. The case for reform: updated CoS data

8.1. Rowaa Mahmoud (RM) presented updated information on the electricity and gas switching process by the Big 6 in the domestic market.

8.2. She noted that electricity suppliers had not submitted robust data on rejected transfer requests so that this data could not be presented. There also appeared to be some discrepancies with the 2010 data for gas confirmation withdrawals, so this data had also been excluded.

8.3. In the last meeting Ofgem agreed to follow up with suppliers on the quality of their missing read data and present to a future COSEG.

Action Ofgem

8.4. AW noted that Ofgem did not have equivalent information to present on the operation of the transfer process in the non-domestic market. Ofgem would however, want to collect data to support its impact assessment in Q1 2014. AW said that Ofgem was likely to issue an information request in late summer to support this analysis and this would request information on the operation of both the domestic and non-domestic markets. Where possible Ofgem would seek to collect this information from central bodies. However, some information was also likely to be required from suppliers.

9. Wrap up, AOB and date of next meeting

9.1. AW agreed to update all necessary documents and circulate to the group.

9.2. AW thanked attendees for their contributions. The next meeting of the COSEG would be held on 1 July at Ofgem's offices in London. The group noted their preferred to hold meetings in London.

10. Summary of actions

	Action	Responsible	Due by /Status
1	**Reform options: Objections**		
	a) Provide any publically available information on outstanding debt levels and age profiles.		1 July COSEG
	b) Present data on multiple objections per supply point in the electricity market.	ENA	1 July COSEG
	c) Provide further detail on the role of manual processing in supporting suppliers' ability to object to customer transfers. In particular, what elements could or should not be automated.	Suppliers	1 July COSEG
2	**Reform options: Confirmation window in gas**		
	➢ Discuss with National Grid Transmission any potential impacts of reducing or removing the gas confirmation window.	Ofgem	1 July COSEG
	➢ Provide statistics on how many electricity transfers happen the next day as a result of a change of tenancy flag being included in the registration request.	Gemserv	1 July COSEG
3	**Reform options: ETs**		
	a) Summarise and circulate the additional option for reform related to ETs identified during the meeting for COSEG members to consider for the discussion on 1 July.	Ofgem	Actioned
	b) Review with suppliers how they select the correct MPxN for a supply transfer.	Ofgem	1 July COSEG
	c) Update COSEG on any variation in performance between the Big 6 suppliers on erroneous transfers and their root causes.	Ofgem	1 July COSEG
	d) Consider reform options for eliminating/reducing erroneous transfers and reforming the process for returning a customer that has been erroneously transferred to their previous supplier identify any further options and assess against evaluation criteria.	COSEG members	1 July COSEG We would welcome any early feedback by 21 June that we could collate, make anonymous and circulate with the papers for the 1 July meeting.
	e) Review a sample of ETs (eg 50) linked to the incorrect MPxN being selected by the supplier. Provide feedback to Ofgem/COSEG on causes.	Suppliers	1 July COSEG We would welcome any early feedback

			by 21 June that we could collate, make anonymous and circulate with the papers for the 1 July meeting.
4	**Other sectors/ countries experiences**		
	a) Provide more details on switching process in banking sector, fixed line telecoms and the insurance market. Consider requesting a guest speaker from Federation of Insurance Brokers.	Ofgem	TBC
	b) Provide further information on the Australian experience of the CoS process using contacts at the ERAA.	Energy UK	1 July COSEG
5	**Other actions**		
	a) Xoserve to consider the costs of amending their systems to reduce or remove the confirmation window in the context of the analysis provided to support UNC396	Xoserve	August 2013
	b) Follow up with suppliers on the quality of their missing read data and present to a future COSEG	Ofgem	TBC

11. Appendix 1 - Attendees

Andrew Wallace (Chair)	Ofgem
Alex Travell	E.ON
Andy Baugh	Npower
Ashleye Gunn	Which?
David Rodger*	Scottish Power
Gareth Evans	WWA, representing ICoSS
Jackie street	Cornwall Energy, representing the Supplier Forum
James Court	Consumer Futures
Jason Stevens	Energy UK
Jenny Rawlinson	GTC UK, representing AiGTs and CNA
Jon Spence	Elexon
Julian Anderton	Energy UK
Kevin Woollard	British Gas
Mark Pearce	ElectraLink
Martyn Edwards	SSE
Nick Taylor	DECC
Paul Saker	EDF
Richard Hall	Consumer Futures
Steve Nunnington	Xoserve
Tony McEntee	Energy Networks Association
Tony Thornton	Gemserv

* via teleconference

Ofgem:

Nigel Nash, Rachel Hay, Kristen Ross, Rowaa Mahmoud, Si Tze Wong.

Ted Hopcroft (PA – Consultant advising Ofgem)

Apologies:

Joanne Ferguson	Northern Gas Networks, representing GDNs