

Change of Supplier Expert Group

Meeting 3
1 July 2013

ofgem

Nigel Nash

ERRONEOUS TRANSFERS

Recap from previous meeting

- Our aim is to eradicate/substantially reduce the number of erroneous transfers
- Current ET rate at around 1% of transfers (excluding Customer Service Returners)
- ETCC standards not met in all instances
- 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

ET reform options

Option	Description
Option 1a	<u>Verification of MPxN</u> : New supplier acting as an ESCo could access the meter and obtain a meter read to verify with the consumer
Option 1b	<u>Verification of MPxN</u> : New supplier acting as an ESCo could send a Customer Information Number (CIN) to the IHD or Consumer Access Device (CAD) to verify with the consumer
Option 1c	<u>Verification of MPxN</u> : The new supplier acting as an ESCo could access the smart meter and obtain MPxN directly
Option 2a	<u>Regulation</u> : Require a supplier to pay compensation to the consumer
Option 2b	<u>Regulation</u> : Performance assurance measures under industry codes
Option 2c	<u>Regulation</u> : Enforcement of licence conditions by Ofgem
Option 3	Measures to improve the efficiency with which customers can be returned back to their previous supplier

Evaluation of reform options

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

Evaluation of reform options

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

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
- Identify any links and dependencies that should be taken into account

ROUNDTABLE DISCUSSION

- 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?

Robyn Daniell

REGISTRATION SERVICES

- Our high-level objective is to improve the efficiency of industry registration systems through centralisation
- Opportunity created through new DCC role and Smart Energy Code (SEC) governance
- Potential benefits include:
 - Alignment between gas and electricity process
 - Efficiencies
 - Leveraging centralisation to support /facilitate further COS reforms and associated benefits e.g. to consumers

Recognise importance of maintaining the effective operation of central registration services

Current arrangements

	Electricity	Gas
Relevant licensee	DNO	GDNs
Licence condition	SLC 18	SLC 31
Service name	Meter Point Admin. Service (MPAS) for each DNO/iDNO	Supply Point Administration Service
Service/ software provider	St Clements and C&C Group	Xoserve
Communication	Data Transfer Network	IX Network
Funding	Component of UoS charges	UK Link- GT price control
Key codes governing changes	MRA	UNC & SPAA
Independent networks	No key differences with iDNOs	Separate system provider but there are plans for iGTs to use Xoserve (Project Nexus)
Online enquiry service	ECOES	SCOGES

- **March 2011 prospectus concluded that:**
 - DCC should take on role of central registration service provider for gas and electricity (once DCC established)
 - Implemented 2 to 3 years after DCC go-live
 - Positive economic case
 - Help maximise benefits of smart metering
- **Ofgem and DECC agreement that COS project will include consideration of how and when DCC could take on specific aspects in relation to registration services**

Option 1: DCC takes on responsibility for centralised registration service

- Core IT systems and master version of the registration database provided by the DCC
- Xoserve and the DNOs would no longer be required to maintain and operate this system (may maintain copy for network purposes or become a user of central service)
- Requirement established by amendment to the DCC licence.

Option 2: Centralising gas and electricity registration under Smart Energy Code (SEC) governance

- Option 2a: Existing services provided under SEC governance
 - Core IT systems and data ownership arrangements remain with distribution companies and Xoserve.
- Option 2b: DCC provides a “front end” change control service
 - SEC Panel requires DCC to have front end change control service for the registration arrangements (master registration database remain with DNOs and Xoserve)
 - During the CoS process, suppliers would interact with the single centralised gateway service provided by the DCC.

- Option 2c: DCC provides and operates a single centralised registration service
 - SEC Panel requires complete transfer of responsibility for the provision and operation of registration systems to the DCC
 - Core IT systems and master version of the registration database provided by the DCC
 - Xoserve and the DNOs would no longer be required to maintain and operate this system (may maintain copy for network purposes or become a user of central service)
- Option 2d: Centralise gas and electricity systems within another provider
 - The SEC Panel may procure a cross-fuel centralised registration service through an alternative provider than the DCC

Option 3: Centralise electricity registration systems

- Centralising individual DNO/iDNO MPAS systems into a single centralised system (outside of the DCC)
- Relevant amendments would be made to the existing industry codes (BSC and MRA)
- Were the Project Nexus proposals to be implemented, this option would deliver a single registration service for each of the gas and electricity markets.
- Does not meet commitment to centralise services under DCC

Evaluation of reform options

Criteria	Option 1 – DCC fully centralised reg. service	Option 2a- SEC incorporates reg. governance	Option 2b – SEC Panel requires DCC front-end	Option 2c –SEC Panel requires DCC reg. service	Option 2d – SEC Panel requires 3 rd party service	Option 3 – Centralised elec. system
Speed	No impact	No impact	No impact	No impact	No impact	No impact
Ease	Single enquiry service and alignment in gas an electricity COS	Single enquiry service when centralised	Single enquiry service and alignment in gas an electricity COS	Single enquiry service and alignment in gas an electricity COS	Single enquiry service and alignment in gas an electricity COS	No impact
Accuracy	Data held in one place – improve quality	No impact	Single front-end change control – improve quality?	Data held in one place – improve quality	Data held in one place – improve quality	No impact
Coverage	No impact - works for all meter types	No impact - works for all meter types	No impact - works for all meter types	No impact - works for all meter types	No impact - works for all meter types	No impact - works for all meter types
Consumer expectation	Alignment across fuels	Potential benefits from single enquiry service	Alignment across fuels	Alignment across fuels	Alignment across fuels	No impact

Evaluation of reform options

Criteria	Option 1 – DCC fully centralised reg. service	Option 2a- SEC incorporates reg. governance	Option 2b – SEC Panel requires DCC front-end	Option 2c –SEC Panel requires DCC reg. service	Option 2d – SEC Panel requires 3 rd party service	Option 3 – Centralised elec. system
Design - flexibility	Centralised governance and coordinated change control for both fuels	Centralised governance – coordination across fuels	Centralised governance and coordinated change control for both fuels	Centralised governance and coordinated change control for both fuels	Centralised governance and coordinated change control for both fuels	No impact
Design – robustness	Lower reg. input required under one code. Uncertain role of shippers?	Lower reg. input required under one code. Uncertain role of shippers?	Lower reg. input required under one code. Uncertain role of shippers?	Lower reg. input required under one code. Uncertain role of shippers?	Lower reg. input required under one code. Uncertain role of shippers?	No impact
Integration	If changing reg. system – good opp. to look at broader CoS process	No impact	If changing reg. system – good opp. to look at broader CoS process	If changing reg. system – good opp. to look at broader CoS process	If changing reg. system – good opp. to look at broader CoS process	No impact
Solution cost/benefit	System efficiencies and lower change control costs. Costs TBC	Lower change control costs Costs TBC	System efficiencies and lower change control costs. Costs TBC	System efficiencies and lower change control costs. Costs TBC	System efficiencies and lower change control costs. Costs TBC	Efficiencies from central elec. System vs costs of change? Costs TBC
Implementa-tion	TBC	TBC	TBC	TBC	TBC	TBC

- Are there any options which should be excluded now or 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?
- Further views on where centralisation could provide benefits
- Role of shippers in managing gas registrations?

Further evaluation of options identified at next meeting

Andrew Wallace

COOLING-OFF PERIOD

- EU Consumer Rights Directive sets out new cooling-off rules
- Will be transposed into GB law and be effective from mid 2014.
- Explore link between cooling-off rules and aim of fast, reliable and cost effective transfers
 - How might these rules apply in practice to domestic customers?
 - How might our reform options be applied to non-domestic customers?

	Current position	Future position
Cooling off period	7-14 days	14 days
Penalties for customers if terminate within cooling-off period	No	No
Right to waive cooling-off period	Yes	No
Penalties applicable for consumers on termination after cooling-off period has ended (or been waived)	Yes	Yes
Interaction with CoS process	New suppliers wait until cooling-off period has expired (or waived) before submitting a request to transfer customer?	Unknown

- **Currently** customers can waive their cooling-off period and at this point suppliers will submit the request to transfer.
- **But** customers will not be able to use a waiver to speed up the CoS process under new rules.
- **However,** new rules do permit:
 - New supplier can supply energy during cooling-off period with customer's express agreement.
 - Customer will still be able to terminate contract within cooling-off period without termination penalties*

*but can be charged for energy supplied before contract is terminated

Switching supplier during the cooling-off period

- How can we ensure consumers are able to effectively access the benefits of a faster switch by agreeing to transfer during the cooling off period (“express transfer”)...

... given consumers still have a right to cancel the new contract within the cooling-off period without penalty?
- What is the position of a customer who agrees to an express transfer but subsequently cancels the contract during cooling-off period?

Scenario 1

Customer agrees to an express transfer, supplier makes transfer request, contract is subsequently cancelled before cooling-off period has expired, transfer request is able to be stopped before it has been processed

- Would the customer remain with their previous supplier on the same contract terms in all circumstances?

Scenario 2

Customer agrees to an express transfer, supplier makes transfer request, contract is subsequently cancelled before cooling-off period has expired, but transfer is unable to be stopped

- **Option 2(a):** Customer continues with new supplier under a deemed contract
- **Option 2(b):** Customer is returned to previous supplier as if the transfer has never taken place ie on same contract terms and with no bill from new supplier
- **Option 2(c):** Customer is returned to previous supplier under a deemed contract

Evaluation of reform options

Criteria	Option 2(a) Customer continues with new supplier under deemed contract	Option 2(b) Customer returns to previous supplier on original contract terms	Option 2(c) Customer returns to previous supplier under deemed contract
Speed	Customers may not want to agree to express transfer given risk of deemed contracts rates applying if contract later cancelled	Customers potentially more likely to agree to express transfer given lower risk if later cancel.	Customers may not want to agree to express transfer given risk of deemed contracts rates applying if contract later cancelled.
Ease	Customers will need to understand that they will not be put back to their previous position as if the contract had never been entered. Will also need to understand deemed contract terms to fully appreciate impacts of decisions.	Uncomplicated. (if returns process works smoothly)	Customers will need to understand that they will not be put back to their previous position as if the contract had never been entered. Will also need to understand deemed contract terms to fully appreciate impacts of decisions.
Accuracy	No impact	No impact	No impact
Coverage	No impact	No impact	No impact
Consumer expectation	Not in line with consumers' expectations - not able to be put back in position as if new contract was not entered into. Option will not protect consumers who make decisions under pressure (the reason for having cooling-off rules).	Meets consumers' expectations as opportunity to be put in position as if new contract was not entered.	Not in line with consumers' expectations - not able to be put back in position as if new contract was not entered into. Option will not protect consumers who make decisions under pressure (the reason for having cooling-off rules).

Evaluation of reform options

Criteria	Option 2(a) Customer continues with new supplier under deemed contract	Option 2(b) Customer returns to previous supplier on original contract terms	Option 2(c) Customer returns to previous supplier under deemed contract
Design flexibility	No impact	No impact	No impact
Integration	No impact	Process could be similar to existing Customer Service Returners process	Process could be similar to existing Customer Service Returners process
Design-robustness	No impact	Process could be similar to existing Customer Service Returners. May require monitoring and enforcement	Process could be similar to existing Customer Service Returners. May require monitoring and enforcement
Solution cost/benefit	No impact	Allocation of settlement and network costs? Admin costs?	Allocation of settlement and network costs? Admin costs?
Implementation	tbc	tbc	tbc

- Are there any further options that should be considered?
- What reform options should apply where cooling-off periods are offered in the non-domestic market?
- Responses to data request the number of customers who terminate their new supplier contracts within the cooling off periods?

Further evaluation of options identified at next meeting

Andrew Wallace

SUPPLY POINT NOMINATION (GAS)

- Our high level aim is for suppliers to be able to access the (accurate) data needed to transfer a customer
- Supply Point Nomination process provides Supply Point data and transportation rates for LSP transfers
- Mandatory process prior to a Supply Point Confirmation
- Consumption and capacity information also submitted for DM sites
 - Any increase in capacity leads to a Referral to the GT
 - NDM capacity changes are requested post transfer

- Supply Point Offer response requirements
 - 2 working days unless a Referral is made
 - 12 working days where a Referral is made
- In 2012 (source: Xoserve)
 - 3,745,193 Supply Point Nominations (of which 3,382,114 accepted)
 - Response within hour when no Referral made
 - 576 cases passed through Referral process
 - 83% returned within 12 working days

Option 1: Shorten response timescales

- No referral: Reduce maximum response time to 1 day, within day or much quicker (hours/minutes)
- Referral: Reduce maximum response time from current 12 working days
- Do shippers/suppliers build in the maximum response rate into CoS timescales or rely on current working practices?
- Are there any specific concerns around DM Referral timescales?

Option 2: Web-based shipper look-up/enquiry service

- Potential to access data directly rather than sending and receiving file flows
- Standing data only (unless Referral made)

Option 3: Greater use of Supply Point Enquiry Service

- Use existing Enquiry Service to obtain required data
- Potential to remove Supply Point Nomination process (or make voluntary)?

Option 4: Only allow DM referrals once CoS completed

- Would remove delays caused by Referral process
- Requests to amend capacity at a site could be processed after the CoS
- Does this create unacceptable risks for shippers that they may not be able to honour contracts?

Evaluation of reform options

Criteria	Option 1: Shorten response times	Option 2: Web-based service	Option 3: Use Enquiry Service	Option 4: Remove Referral process
Speed	Potentially faster (although Xoserve turn around quickly in practice)	Fast access controlled by shipper	Same response standards as Nomination process	Potentially quicker CoS for DM sites
Ease	No impact	Supplier could discuss data issues and transportation rates as part of sales conversation	No impact	Might reduce customer certainty on ability of shipper to meet contract
Accuracy	No impact	No impact	No impact	Might reduce customer certainty on ability of shipper to meet contract
Coverage	No impact	No impact	No impact	No impact
Consumer expectation	Potentially faster transfer	Potentially faster transfer	No impact	Potential uncertainty on whether contract requirements can be met

Evaluation of reform options

Criteria	Option 1: Shorten response times	Option 2: Web-based service	Option 3: Use Enquiry Service	Option 4: Remove Referral process
Design - flexibility	No impact	Removes dependency from COS for LSP sites	Removes dependency from COS for LSP sites if Nomination process removed/not mandatory	No impact
Design – robustness	No impact	Would require access controls	No impact	No impact
Integration	No impact	Potentially added to SCOGES?	No impact – shifts focus to the performance of the Enquiry Service	No impact
Solution cost/benefit	Low central costs	tbc – potentially added to SCOGES?	Low central costs	Low central costs
Implementation	tbc	tbc	tbc	tbc

- 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?
- Views requested on case for reform

Further evaluation of options identified at next meeting

Andrew Wallace

DATA QUALITY

- Parties report that data quality impacts speed, reliability and cost of the customer transfer process
- Ofgem proposes to review data governance at 22 July meeting
- To assist that discussion, we would welcome initial views from COSEG on the main data items and areas where they have concerns on data quality

WRAP UP

- Review of work plan
- Date and location of next 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	Erroneous transfers	Centralising registration services	Data ownership and governance	Security keys?	Outstanding issues	
	Confirmation window (gas only)	Data transfer and access requirements	Registration processes (inc cooling off period and gas nomination)	Access to metering data and support for metering market	Billing standards?	Review of end-to-end process	
Further discussion on options and evaluation		Objection process	Erroneous transfers	Centralising registration services	Data ownership and governance	Security keys?	Outstanding issues
		Confirmation window (gas only)	Data transfer and access requirements	Registration processes (inc cooling off period and gas nomination)	Access to metering data and support for metering market	Billing standards?	Review of end-to-end process

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