

## Change of Supplier Expert Group (COSEG): Meeting 4

Minutes of the fourth meeting of COSEG. Agreed at meeting 5 on 28 August 2013	From Date and time of Meeting Location	Ofgem 22 July 2013 10:30-15:00 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](#).
- 1.2. The Chair, Andrew Wallace (AW), welcomed members to the meeting.

### 2. Review of minutes and actions from last meeting:

- 2.1. AW reviewed the minutes from the last meeting on 1 July which were agreed subject to the comment below.
- 2.2. One attendee requested an amendment to the minutes such that they include the additional following points:
  - One attendee explained that Electralink could, by analysing data across the Data Transfer Service, provide information on the number of sites that were sent with a change of tenancy flag and how many of these led to a next-day transfer.
  - In relation to centralised registration, one attendee suggested that rather than choose one specific reform option, there may be potential for a central service to allow different registration systems to integrate at different times. This is similar to a concept that ElectraLink is working on with the electricity DNOs regarding a common service to connect them to the DCC.
- 2.3. Action 1a. ENA carried forward an action to provide data on multiple objections per supply point in the non-domestic electricity market.
- 2.4. Action 1b. Energy UK carried forward an action to provide information on missing reads in the electricity and gas markets.
- 2.5. Action 2a and 2b. AW summarised responses from suppliers that compensation for ETs was provided on a discretionary basis. In relation to a similar action, AW reported that banks typically paid compensation on a discretionary basis when transactions were erroneously made.
- 2.6. Action 4c. AW summarised information provided from some suppliers on when new contracts were cancelled during the cooling off period. He noted that there was a "bell curve" effect with an increase in cancellations being observed on days 5, 6, 7 and 8 after contract sale. Any suppliers that had not provided information were asked to do so for the next meeting.

**Action: Suppliers**

### 3. Reform options - Access to metering data and support for the metering market

- 3.1. Rachel Hay (RH) presented Ofgem's aim in this area as removing any constraints the current metering arrangements place on delivering the project's high level objective (a fast, reliable and cost-effective change of supplier process). RH noted that

Ofgem's intention is to only reform processes and/or market structure to the extent necessary to enable this central objective to be met.

- 3.2. Regarding scope, RH explained that the change of supplier project will consider both gas and electricity arrangements, across all customer and metering types.
- 3.3. RH noted that Ofgem has been undertaking ongoing engagement with stakeholders to better understand concerns and views on potential reform areas and the optimal arrangements for customers with different metering types. RH set out stakeholders' views on metering arrangements in the electricity and gas markets; in electricity, stakeholders flagged concerns around data quality, speed, lock-out periods, market complexity and agent competition. In gas, stakeholders raised concerns around data quality and how it is impacted by poorly defined system processes and compliance issues. Additionally, there were concerns on metering competition in gas.
- 3.4. RH set out Ofgem's proposed reform options for the electricity metering markets:
- Option 1** – Reform of CoS processes with minimal reform to the current market structure. For traditional and AMR meters there were two sub-options. Option 1a – new supplier remains responsible for opening read. Option 1b – Old supplier/agents responsible for opening read.
- Option 2** – Reform of market structure to make suppliers responsible for feeding smart data into central settlement, and accompanying reform of CoS processes.
- Option 3** – Reform of market structure to make the DCC responsible for procuring data processing (DP) and data aggregation (DA) functions, and accompanying reform of CoS processes.
- Option 4** – Reform of market structure to make central settlement systems responsible for data processing and data aggregation functions, and accompanying reform of CoS processes.
- Option 5** – Hybrid of the above options (breaking down DP and DA functions into their constituent parts and allocating them where most appropriate).
- 3.5. RH stressed that, in relation to option 5, careful thinking would be necessary to understand how data flows between the different parties would be choreographed.
- 3.6. In terms of the gas metering market, RH asked the group whether a potential gas performance assurance framework would be the best way to address the reported issues on data quality, poor system definition and compliance. RH noted that while the focus of the PAF has so far been on improving settlement accuracy, its scope may encompass wider objectives such as CoS, which may extend beyond the governance of the UNC and involve parties such as MAM's. Therefore whilst PAF will be taken forward as a separate project, there may be synergies with the work of COSEG. Each project should therefore have regard to the output of the other.
- 3.7. RH asked COSEG members to consider whether the reform options noted could effectively resolve the issues identified and enable a fast, reliable and cost-effective change of supplier process in the gas and electricity markets.
- 3.8. AW said that, while the focus and driver of reforms is on smart, there is also a need to consider how the process could be improved for customers with traditional metering arrangements.
- 3.9. AW asked COSEG members, with particular regard to smart meters, for views on what metering data items needed to be accessed at the point of change of supply and

which data items could be provided at a later date. The AMO agreed to consider further and provide any relevant information at the next COSEG meeting.

**Action: AMO**

- 3.10. One attendee stated that further work was required on reconciling the opening and closing metering reads for smart meters. AW suggested that this might be a 'day one' issue and asked if it should be for this group to progress. Attendees mentioned that the process of read reconciliation is vital to ensure the integrity of settlement and that consumers are getting the right bill in a smart world. Another attendee noted that meter read validations are being considered as part of the settlement reform.
- 3.11. RH noted the potential for the change of supplier reforms to be developed ahead of settlement reforms under Project Nexus. She added that, while closely interlinked, the change of supplier reforms are looking at how data gets into settlement rather than what data items are needed for settlement. Some attendees raised concerns that misalignment between the two projects could miss opportunities to maximise benefits. RH noted that Ofgem is mindful of the need for close communication between these two projects to ensure the dependencies are captured. Ofgem also set out its expectation that connections and disconnections would remain the responsibility for networks.
- 3.12. One attendee noted that the cost of delivering effective performance assurance arrangements was an important consideration. Whilst it was not Ofgem's intention to review the effectiveness of particular performance assurance measures, RH stated that wanted to ensure that the reform options were capable of being audited and asked the group to communicate their thoughts on this at the next COSEG.
- 3.13. One attendee noted that Project Nexus may have implications on any potential reform in the gas metering market. For example it was likely to place a greater emphasis on the accuracy of meter technical data for settlement purposes.
- 3.14. RH reviewed the questions posed in the slides presented to the COSEG:
- Q1 and Q2: *What is your view of the problems identified by stakeholders around the electricity and gas arrangements?* The group agreed that that issues identified by the stakeholders and set out by RH are correct in both the gas and electricity markets.
  - Q3: *Are the assumptions made under reform option 1 correct?* One attendee asked whether Ofgem was questioning the value of validation for settlement purposes as well as billing. RH clarified that Ofgem are keen to understand whether validation of the CoS read is necessary on change of supplier for both billing and settlement purposes, but that considering the value of validation for ongoing meter reads for settlement is not in scope. After some debate attendees suggested that validation for the CoS read in a smart world would not be necessary for billing purposes, but would be necessary for settlement purposes. RH questioned how the read could be validated for one purpose and not the other and asked for views at the next meeting.
  - Q4: *Do the suggested reforms under option 1 effectively resolve the issues identified for traditional/AMR customers and enable a fast, reliable and cost-effective change of supplier process?* There was an appetite among COSEG members to retain the onus on the new supplier to drive the change of supplier process. Whilst option 1b was rejected, some concerns were also raised about the costs associated with creating a central record of information under 1a.
- 3.15. There were several comments from COSEG members to help clarify the information presented in the slides:

- One attendee noted that on slide 10 (discussing agent interactions and dependencies with the change of supplier process), parties on the right hand side of the diagram are also dependent on the outcomes of the CoS process and information coming out of it. RH acknowledged this and explained that the diagram had been simplified (also omitting a number of other parties who have roles) to aid discussion and that the information needs of parties on the right hand side were being considered as part of the reforms.
  - One attendee noted that the illustrative flow diagram of CoS processes under current arrangements (slide 15) had some activities falling into the wrong swim lanes. RH asked COSEG members to review the diagram and flag any major errors. RH also noted that the intention of the diagram was to illustrate the complexity and multiple dependencies that exist in the current process.
  - On the wording of slide 23 on option 5, one attendee clarified that Data Aggregators (DAs) do not maintain an overview of the agents/parties responsible for a metering point. The data is instead maintained on the MPAS system and DAs receive updates. They added that data processing and aggregation could be combined to reduce complexity. This was described as something which could benefit industry but wouldn't necessarily have an impact on the CoS process.
- 3.16. RH asked the group to consider the reform options and come prepared to the next COSEG meeting with answers to the specific questions set out in the updated slides available on the Ofgem website.

**Action: COSEG**

#### **4. Reform options - Centralising registration services**

- 4.1. Robyn Daniell (RD) provided a recap on the reform options discussed during the last meeting (see minutes of COSEG3 [here](#)). The group had not identified any further options for consideration.
- 4.2. One member said that the evaluation criteria should include a measure of risk as some options were inherently riskier than others e.g. changing fundamental systems.
- 4.3. One member queried whether Ofgem would be carrying out appropriate economic tests to justify the benefits of a Central Registration Service. conducting a cost benefit analysis of the options. AW confirmed that ~~this was the case.~~ Ofgem would be conducting a cost benefit analysis of the options.
- 4.4. One member's preference was Option 1 (DCC takes on responsibility for centralised registration services) as this would mean there would be one entity that could be clearly held accountable. For example, if the DCC performs poorly at providing registration services, it would be less likely to be awarded the DCC licence once it came up for renewal. This should provide incentives on DCC to be customer focussed.
- 4.5. On Option 1, AW noted that there was an additional sub-option in terms of the way in which this could be governed e.g., under SEC or under existing industry code, and asked the group their views. One member felt that governance should be under SEC as otherwise the DCC would have to be a party to all of the different industry codes that govern the existing registration services.
- 4.6. On Option 2 (SEC Panel takes on responsibility for registration with governance under SEC), one member noted that this could be compared to the governance arrangements for ECOES via the MRA. While this system has worked for ECOES, operating the registration systems was a more substantial undertaking. A detailed assessment would therefore be required to see if Option 2 could be made to work in practice.

- 4.7. One member raised concerns about Option 2a (SEC Panel takes on responsibility for registration with governance under SEC and existing network operators provide physical registration services), that it would take a long time to extract the relevant elements from existing codes and put those into the SEC. It was an unknown as to how the SEC governance would work in practice.
- 4.8. One member noted that there was some additional complexity on the gas side. Currently gas shippers are responsible for the change of supplier but it was questioned whether this should be the responsibility of suppliers. It was felt that this may be an option but would need to make sure it was done in a robust way. There would be significant impacts for shippers if they were not informed of a change of supplier and it was questioned whether they should be required to rely on the supplier for this information.
- 4.9. AW mentioned that Ofgem will undertake a further review of the implications of making the gas supplier responsible for the change of supplier under the SEC (rather than the gas shipper as currently occurs under the UNC).
- Action: Ofgem**
- 4.10. RD asked whether there were any differences in approach required and the group noted that there should be no difference between smart and traditional meters.
- 4.11. RD asked whether the group could identify any links and dependencies that should be taken into account. One member said that network operators will need to know who the supplier is for charging purposes. Another member suggested that if registration services were centralised, DNOs and GTs would probably need to build a database to replicate the central database for their own purposes.
- 4.12. RD asked if there were any further views on where centralisation could provide benefits. AW confirmed that Ofgem were asking for benefits that would be over and above what would come from the establishment of the DCC. One member noted that the real benefit would be a dual fuel CoS process where you would be able to process gas and electricity as a single record. Another member noted that there may be additional functionality requirements as the market evolves that a centralised registration database could better meet.
- 4.13. RD asked whether this topic should to be revisited by COSEG at a later meeting. The group agreed that it this would not be required.

## **5. Reform options - Cooling off period**

- 5.1. AW provided a recap on the reform options discussed during the last meeting (see minutes of COSEG3 [here](#)).
- 5.2. One member asked whether a customer could return to their original supplier under a "deemed contract". Their view was that a decision to return to the old supplier could only happen as a new contract as the original supplier could not be forced to take customer back.
- 5.3. The group had differing opinions on what was required and permissible during the proposed new cooling-off period. One member said that you should treat the customer as if there has been an erroneous transfer, and the customer would go back on the same terms. The member noted that even though the customer had made a choice, the cooling off period still afforded them a period to change their mind. Another member felt that the arrangements should reflect that a customer had made an active decision and they should not be returned to their previous supplier as if nothing had happened.

- 5.4. Another member queried the difficulty in unwinding tariffs e.g., dead tariffs (a tariff that is no longer offered) as the suppliers' systems would not be able to accept customers returning on these rates. One member pointed out that the incoming supplier would not know what tariff the customer was on so would not be able to provide advice on the implications of cancelling during a cooling-off period.
- 5.5. One member felt that the best option was for suppliers to wait until cooling-off period expired before making the transfer. AW highlighted that, as the supplier cannot be stopped from offering an express transfer, the consequences had to be explored.
- 5.6. Another member noted that the cost of re-registering the customer would potentially be expensive and would be borne by the original supplier through no 'fault' of their own.
- 5.7. Laurasia noted that in the telecoms sector, customers had restrictions on using the cooling-off period e.g. if they were unhappy with network coverage, and asked whether there were limits in energy supply contracts. Members confirmed that there were no such restrictions and that the new EU Directive was unlikely to limit the instances when a customer could cancel.
- 5.8. In response to a question from the group, Ofgem agreed to consider whether, under the proposed new cooling-off rules, there would be a requirement for the customer to be returned to their previous supplier under the same terms and conditions. Ofgem also agreed to consider the applicability of any termination fees that may have been levied by the old supplier to the customer associated with the cancelled switch.
- Action: Ofgem**
- 5.9. The group agreed that there were still a lot of questions on this topic and that it should be discussed with the outstanding issues at a later COSEG meeting.

## **6. Reform options: Data quality and governance**

- 6.1. AW presented slides on the reported concerns on data quality during the CoS process (focussing on address data and meter technical data) and some potential reform options to improve data quality.
- 6.2. AW noted that at the previous meeting, a member had raised concerns on the quality of the domestic and non domestic data flag. The group confirmed that this was an important data item. For example, Gas Transporters use it to understand how to target compensation payments obligations, which differs between domestic and non-domestic customers. One member of the group noted that work was being undertaken to review the arrangements for this data item. The group agreed that, while this data item was an issue, it was outside of the scope of the CoS project.
- 6.3. AW asked whether there were any other data items linked to the CoS process where there were concerns on data quality. One member queried whether there could be an issue around the quality of Related MPANs information given that the only party that would be able to validate the link between the MPANs was the incumbent supplier. Another member queried whether Ofgem needed to be factoring in to this discussion potential future data quality issues e.g., Green Deal data.
- 6.4. In relation to address data quality, one member noted that the arrangements for the electricity industry had recently been reviewed and set out in MRA MAP09. These new rules allowed supplier to provide updates when they identified poor quality address data. These updates were provided by fax or email and if no response had been given by the DNO in 5 days then the supplier was to assume that it had been rejected. Previous rules had required suppliers to use defined D-flows but these were seen to be

too restrictive. It was questioned why the DNO should not be required to provide a response to the suppliers update request.

- 6.5. One member noted that from November 2013 MPAS will have opportunity to hold the UPRN. This may allow parties to improve address data quality and reduce reliance on PAF. There were no plans to hold the UPRN on the gas central systems. One member noted that a field had been added for UPRN as part of the smart metering data set but that to date there has been no discussions as to how this field would be populated. ~~from said that DECC were proposing to review the role of UPRNs in relation to the DCC at a forthcoming meeting.~~
- 6.6. AW asked the group about whether there were the right incentives on parties to update data as once they had fixed it to allow them to bill the customer, they would incur additional costs to also inform central systems. One member said that modification UNC431 was seeking to reconcile data in the supplier's billing system to the registration system and felt that this would hopefully help to manage mismatches. Another member noted that electricity network operators are proactively looking and trying to reconcile some outstanding address issues and the addition of the UPRN should help to reduce these problems. One member felt that there is a commercial incentive on network operators as they would want to know where their assets were.
- 6.7. AW asked whether additional measures were required to ensure that there would be improvements to data quality. He reviewed some possible options for reform; Option 1 (industry self governance), Option 2a (new obligations on central service providers), Option 2b (new obligations on other market participants), Option 3a (new incentives for central service providers), Option 3b (new incentives for other market participants) and Option 4 (establish a new body to improve data quality).
- 6.8. The group felt that if registration services were centralised under the DCC, the DCC was best placed to be accountable for maintaining the data but was not best placed to identify if the data was accurate.
- 6.9. ENA agreed to provide information on the number of address queries they receive from suppliers (to give idea of scale of data quality issues that suppliers encounter).  
**Action: ENA**
- 6.10. One member asked what the size of the data quality problem was as having a sense of the scale of the problem may lead the group to different solutions. AW agreed to summarise any known metrics on the impact of data quality on the change of supplier process. AW agreed to provide a summary of current initiatives that are being undertaken to improve data quality. This would help to better inform the group as to whether additional obligations, incentives or new independent bodies, should be considered.  
**Action: Ofgem**
- 6.11. Xoserve presented their slides on meter point address data ([here](#)), and noted the ability of shippers to amend address data.
- ~~6.12. Xoserve noted that currently the Sites and Meters database was 91% compliant with PAF. The 9% of the addresses held on Sites and Meters that were non-PAF compliant included the 2 million sites to which an address was not recorded by the post office as these sites do not have letter boxes. Xoserve also informed the group that the UKlink system currently has 75,000 sites recorded ~~re were 75,000 new connections each year which were set up within Sites and Meters with a plot address.~~~~
- 6.13. Xoserve are conducting internal analysis to understand the detail behind these figures having recognised the fall in the % of PAF valid addresses on the UKlink system over recent years. ~~observed that PAF compliance was nevertheless lower than it has~~

~~been in past months and they would be exploring this in more detail to see what has caused the figure to fall.~~

- 6.14. As part of the presentation, Xoserve also provided some figures for address amendments that shippers have made between November 2012 and June 2013. Of the 28,185 valid address amendments made, 26,383 were submitted by shippers.

## **7. Reform options - Gas nomination**

- 7.1. Given the value of discussing this agenda item with representatives from ICSS, the group agreed that discussion on this topic should be postponed until the next meeting.

## **8. Wrap up, AOB and date of next meeting**

- 8.1. AW reviewed the work plan with the group and advised that the new topics for discussion at the next meeting would be billing standards and an additional topic from the list of outstanding issues. The discussion on security keys was postponed to a later COSEG meeting given there were some existing industry debate on the operation of these arrangements.
- 8.2. AW thanked attendees for their contributions. The next meeting of the COSEG would be held on 28 August at Ofgem's offices in London.
- 8.3. AW advised that the group would try to get the slide pack out for the next meeting a couple of weeks in advance given internal leave arrangements.



## 9. Summary of actions

	Action	Responsible	Due by/Status
1	<b>CoS data</b>		
	a) Provide data on multiple objections per supply point in the non-domestic electricity market	ENA	Carried over to 28 August COSEG
	b) Provide information on missing reads in the electricity and gas markets.	Energy UK	Carried over to 28 August COSEG
	c) Provide further information on the Australian experience of the CoS process using contacts at the ERAA.	Energy UK	Carried over to 28 August COSEG
2	<b>Reform options: Access to metering data and support for the metering market</b>		
	a) Consider reform options and specific questions set out in the slides presented at the COSEG meeting on 22 July (note that revised slides were tabled on the day of the meeting to include these specific questions). Identify any further options and come to the next meeting prepared with views on each question.	COSEG members	28 August COSEG  We would welcome any early feedback by 21 August that we could collate, make anonymous and circulate with the papers for the 28 August meeting.
	b) With particular regard to smart meters, provide information on the data items that will need to be accessed at the point of change of supply and which data items could be provided at a later date.	AMO	28 August COSEG
3	<b>Reform options: Centralising registration</b>		
	a) Undertake a further review of the implications of making the gas supplier responsible for the change of supplier under the SEC (rather than the gas shipper as currently occurs under the UNC).	Ofgem	28 August COSEG
4	<b>Reform options: Cooling-off period</b>		
	a) Provide data on number of customers who terminate their new supplier contracts within the cooling-off periods. Data is requested for the last two years and disaggregated into timeframes (e.g. cancellation 1, 2, 3 etc days into cooling off period).	Suppliers	Provided by several suppliers. Others to provide by 28 August COSEG
	b) Review whether it is possible for a customer to return to their old supplier on a deemed contract, the applicability of any termination fees from the old supplier and any potential requirements under the proposed new legislation for the customer to be	Ofgem	28 August COSEG

	returned to their previous supplier under the same terms and conditions, if they change their mind during the cooling off period.		
5	<b>Reform options: Data quality and governance</b>		
	a) Consider reform options for data quality and governance and identify any further options.	COSEG members	28 August COSEG  We would welcome any early feedback by 21 August that we could collate, make anonymous and circulate with the papers for the 28 August meeting.
	b) Provide information on the number of address queries they receive from suppliers (to give idea of scale of data quality issues that suppliers encounter).	ENA	28 August COSEG
	c) Provide a summary of current initiatives that are being undertaken to improve data quality.	Ofgem	28 August COSEG
	d) Summarise any known metrics on the impact of data quality on the change of supplier process.	Ofgem	28 August COSEG

9.1.

**10. Appendix 1 – Attendees**

Andrew Wallace (Chair)	Ofgem
Alex Travell	E.ON
Andy Baugh	Npower
Andy Knowles	Gemserv
Ashleye Gunn	Which?
Chris Allanson*	Northern Powergrid
Chris Hill	Cornwall Energy, representing the Supplier Forum
Gary Marshall*	Northern Powergrid
Gethyn Howard	GTC UK, representing AiGTs and CNA
Hannah Mummery	Consumer Futures
Jane Franklin	Power Data Associates
Joanna Ferguson	Northern Gas Networks
Jon Spence	Elexon
Kevin Woollard	British Gas
Leanne Cavagan*	Northern Powergrid
Lorna Mallon*	Scottish Power
Mark Pearce	ElectraLink
Martin Hewitt	Energy Networks Association
Martyn Edwards	SSE
Paul Orsler	Xoserve
Paul Saker	EDF
Steve Nunnington	Xoserve
Teresa Camey	DECC
Kevin Werry	Laurasia consulting

\* via teleconference

**Ofgem:**

Nigel Nash, Kristen Ross, Rowaa Mahmoud, Rachel Hay, Robyn Daniel, Jonathan Priestley.

**Apologies:**

Jackie Street	Hudson Energy, representing the Supplier Forum
Jason Stevens	Energy UK
Julian Anderton	Energy UK

Gareth Evans

WWA, representing ICOSS