

Summary of findings of the Change of Supplier Expert Group (COSEG)

Date published: 03 December 2013

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1. Introduction

- 1.01 This paper summarises the output of the Change of Supplier Expert Group (COSEG). It provides an update for those that were not able to attend COSEG meetings. It also sets out the anticipated next steps for the reform areas discussed at that group.
- 1.02 Following discussions with COSEG and other interested parties, we believe that we have identified a series of reforms that can achieve our objective of a fast, reliable and cost effective change of supplier process that will facilitate competition and build consumer confidence.
- 1.03 Our domestic and non-domestic consumer research stressed that reliability was the main priority for consumers. We therefore propose to proceed now with all practical and proportionate reforms identified to secure a reliable three week switch for consumers (after any cooling off arrangements).
- 1.04 In its Annual Energy Statement, government challenged suppliers to make changes in the short term to improve the speed of the switching process. We are supporting industry's response to cut the current switching time and are challenging them to deliver this as soon as possible. Several of the changes discussed at COSEG, and included in this paper, are being considered as part of this work.
- 1.05 We believe that additional reforms identified at COSEG can deliver a step change to the speed, efficiency and reliability of the transfer process. We aim to consult on these reform proposals next year.

2. Next steps

- 2.01 We are taking action now to deliver a reliable three week switch for consumers. For example, we are consulting on new licence obligations for suppliers to switch consumers within three weeks¹ and to prevent erroneous transfers². We aim, subject to responses, to implement these licence obligations as soon as possible next year.

¹ Enforcing three week switching: <https://www.ofgem.gov.uk/publications-and-updates/enforcing-three-week-switching>

- 2.02 We aim to consult in March 2014 on the reforms set out in this paper that are not being addressed by Ofgem to secure a reliable three week switch or by suppliers in response to government's push for faster switching in the short term. We have asked industry for information to support our assessment of these reforms. We will set out our decision on how to improve the switching process for consumers in Q3 2014.

3. Background

- 3.01 Smart or advanced meters are being rolled out to all gas and electricity consumers by the end of 2020. This roll-out can make retail energy markets work better for consumers. Realising the full potential of this change to energy metering will not happen without complementary changes to the arrangements for how industry participants, including suppliers and network operators, interact with each other and consumers.
- 3.02 Ofgem is being proactive in helping to deliver these reforms and has established the Smarter Markets Programme (the "Programme"). As part of this Programme, we are examining, under the Change of Supplier (COS) project, how existing processes used by industry to transfer a consumer from one supplier to another can be improved. The longer term objective is for a process that is fast, reliable and cost effective which will facilitate competition and build consumer confidence.
- 3.03 We held seven full day workshops with COSEG (further detail provided below). This group has now closed, although we have retained the option to hold ad-hoc meetings and have subsequently held a COSEG sub-group to review outstanding COS meter read issues. We thank those that attended COSEG for their constructive participation.
- 3.04 In addition to COSEG, we have discussed reform proposals with a wide range of energy companies and industry groups. We have met with representatives from other industries (Ofcom, Payments Council, Vocalink and Laurasia). We have also reviewed our approach to COSEG and the proposals developed at that meeting with the Smarter Markets Coordination Group (SMCG).³ We are continuing to meet with individual stakeholders and industry groups.
- 3.05 To support our assessment of the COS process we commissioned independent consumer research with both domestic⁴ and non domestic⁵ consumers. It has been influential in understanding the outcomes that consumers want from the switching process, identifying the industry changes needed to deliver these outcomes and building the case for reform.

4. Structure of COSEG discussions

- 4.01 The seven COSEG meetings took place between May and October 2013. COSEG was attended by suppliers, network companies, DECC, consumer groups, code administrators, metering agents and experts from other industries. The terms of reference were agreed by COSEG and are available [here](#).
- 4.02 COSEG agreed a work plan to review a series of topics over its seven meetings. For each topic, Ofgem typically provided a background paper in advance of the meeting together with draft reform proposals. To assist with the assessment of the draft reform proposals evaluation criteria were developed and agreed by COSEG. The evaluation criteria are available [here](#).
- 4.03 COSEG was provided with an initial opportunity to discuss each topic and add to or amend the potential reforms. The topic was then brought back to a future meeting for further review once members had the opportunity to consider the issues. At its last two meetings COSEG reviewed a summary of the potential reform options for all of the topics discussed.

² Preventing erroneous transfers: <https://www.ofgem.gov.uk/publications-and-updates/preventing-erroneous-transfers>

³ An advisory group of senior figures from industry, consumer groups, network companies and the Government to provide strategic input to the Smarter Markets Programme.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-research-inform-ofgems-review-change-supplier-process>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/non-domestic-consumers-and-change-supplier-process-qualitative-research-finding>

- 4.04 The background papers, presentation materials and minutes are available on the Ofgem website.⁶ For ease of reference, in the annex to this report we have set out the list of topics discussed at COSEG and provided links to relevant documentation.
- 4.05 In addition to discussions on specific reforms areas, COSEG received presentations from Laurasia and Vocalink on their experience of the telecoms and banking industries respectively. Presentations were also made to COSEG on the findings of independent consumer research in the domestic and non-domestic markets.

5. Summary of reform proposals identified

- 5.01 In this section we summarise the output of COSEG and the anticipated next steps for each reform area. We have first identified those changes that we consider should be developed now without requiring significant changes to industry systems. These changes are being progressed by Ofgem with the aim of securing a reliable three week switch for consumers. We then describe the reform proposals that are likely to require changes to central industry systems. These can deliver a step change to speed and efficiency and further improve reliability. The main proposals are summarised in the tables below.
- 5.02 Tightening up the three week switching requirements was not reviewed at COSEG, however we have included it here for completeness as we consider that it is an important step to improving consumers' experience of the switching process whilst other reforms are being developed.
- 5.03 We are aware that industry has already proposed or are considering a number of changes to industry codes following on from discussions at COSEG.⁷ Suppliers are also considering what changes to make to speed up switching in response to the challenge from government and this includes some of the reform areas described below

SECURING A RELIABLE SWITCH

1. Three week switching obligation
2. Obligation/incentives on Erroneous Transfers
3. Objection performance assurance
4. Higher standards for COS billing
5. Improved consumer switching information
6. Improved data quality

FUTHER IMPROVEMENTS TO SPEED, RELIABILITY AND EFFICIENCY

1. New centralised registration service
2. Reduce the objection window
3. Remove/reduce the gas confirmation window
4. COS meter reads (smart metering)
5. COS meter reads (AMR and traditional metering) and support for metering market
6. A more flexible Supply Point Nomination process

5.1 Securing a reliable switch

- 5.04 The reforms described below focus on the regulatory arrangements that support the reliability of the transfer process for consumers. They do not require significant changes to industry systems but are expected to lead to refinements and improvements to processes and outcomes for consumers and can help achieve a reliable three week switch.

⁶ See <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/smarter-markets-programme/change-supplier>.

⁷ E.on has raised UNC468 to require GDNs to populate the UPRN field. A group under the MRA is considering improvements to the process of returning erroneously transferred consumers. Other potential changes being considered are: A change to MAP09 under the MRA to require DNOs to inform suppliers of the actions following an address update request, introducing a new process to allow electricity registration request to be withdrawn and finally, removal of the 5-day objection resolution period for the electricity market.

1. Strengthening the three week switching requirements

- 5.05 In response to the Third Energy Package, the Government amended SLC14A of the electricity and gas supply licences. These new obligations require suppliers to have a term in their contract providing for transfers to be made within 21 days.
- 5.06 Our recent monitoring of suppliers' performance against these standards suggests that, whilst the three week requirement is being met in the majority of cases on the electricity side, there is scope for improvement. Changes to the gas arrangements, which went live at the start of November, will remove system impediments to allow gas suppliers to meet this standard.
- 5.07 To provide greater assurance to consumers that suppliers will meet their requirements for a three week switch, we propose to strengthen suppliers' obligations in this area. We are therefore consulting on a new supply licence obligation to "take all reasonable steps" to transfer a consumer within three weeks, subject to certain stated exceptions. Our aim is to implement this new requirement as soon as possible next year. We consider that this will provide confidence to consumers as the minimum standard that they should expect. We note that suppliers are working, in response to the Government's challenge, to develop arrangements that deliver even faster switching. We are continuing to monitor supplier performance against the three week standards and are considering whether to publish this information.

2. Erroneous Transfers (ETs)

- 5.08 ETs can have a damaging impact on consumers' perception of the market and can be a source of confusion and distress for those consumers affected. ETs could potentially be more serious for consumers with smart meters if those meters stop/start behaving as prepayment meters when this is not expected or were remotely disconnected or reconfigured. The current ET rate for the large domestic suppliers is around 1% of all successful transfers (around 55,000/year).
- 5.09 Our assessment is that the majority of ETs could be avoided and that the explicit obligations and incentives on suppliers not to make an erroneous transfer are weak. We are now consulting on introducing a new licence condition on suppliers to take all reasonable steps to avoid making an ET with the aim, subject to responses, of implementing this requirement as soon as possible next year.
- 5.10 As an additional measure, we are also considering the potential to require a supplier to pay compensation to a customer that has experienced an ET. One possible mechanism that could be used to introduce a compensation requirement is the supplier Guaranteed Standards of Performance. We will consider this as part of our wider review of the supplier Guaranteed Standards of Performance⁸ alongside investigating other routes for providing compensation.
- 5.11 At COSEG we reviewed the opportunity to use smart meter technology to help ensure that the supplier is transferring the correct site. This may be particularly helpful where there is a lack of certainty about the consumer's correct address and MPxN details. We expect industry to develop and agree best practice in how and when messages should be sent to a consumer's In Home Display (IHD) or other Consumer Access Device (CAD) to provide assurances that they have the correct details to start the transfer.

3. Objection performance assurance

- 5.12 Concerns have been expressed by consumers and suppliers that the objection rules set out in licences and industry codes are not adhered to in some circumstances. The impact of objections for consumers can be significant for example, consumers in the non-domestic market that have their transfer blocked incorrectly may incur high out-of-contract tariffs and be persuaded to enter a new contract with their current supplier to avoid these. Other consumers may be prevented from accessing more advantageous tariffs and services.
- 5.13 The objection rules are set out in licences and industry codes. Ofgem has undertaken enforcement action against suppliers for licence breach on a number of occasions. The use of the objections process has also led to a number of disputes being raised under industry codes.

⁸ We published a Call for Evidence on the supplier Guaranteed and Overall Standards of Performance earlier this year. We intend to launch a consultation setting out the next phase of the project in the coming months.

- 5.14 We consider that there should be proportionate assurance measures to provide confidence to consumers and the market that the objection rules are being adhered to. We are therefore looking to increase our monitoring of supplier behaviour in this area. We would also welcome suppliers being proactive in this area, for example in providing Ofgem with independent audits on their performance. Ofgem would expect to take any such measures into account when determining our priorities for monitoring.
- 5.15 We are also considering a review of suppliers' communications with consumers when an objection has been made to ensure that these meet the licence requirements and to identify best practice.

4. Change of supplier billing standards

- 5.16 Our domestic and non-domestic consumer research highlighted concerns about the timing of bills on COS. Late receipt of a final bill (so that it coincided with an opening bill) or delays in getting the opening bill, were seen to impact on consumers' ability to manage their finances and deterred switching. Some consumers also complained of late receipt of credit balances from their old supplier following a switch.
- 5.17 Domestic suppliers have licence requirements to send final bills within 6 weeks of a transfer and correct any errors in bills subsequently identified. In the majority of cases, this is likely to coincide with the first bill from the new supplier. The proposed reforms to the COS meter read processes (described later in this document) aim to remove constraints to fast billing. This is a particular issue in the electricity market where suppliers report that they have not obtained an opening and closing meter read for 3% to 4% of transfers within 28 days of the switch.
- 5.18 COSEG considered that new billing standards on the timing of the opening and closing bills and repayment of credit balances should be addressed (both for domestic and non-domestic consumers) through industry self governance. This would build on the Energy UK [Code of Practice for Accurate Bills](#). Where this failed then Ofgem could consider formal regulation. This work area will be taken forward under the Smarter Markets [Consumer Empowerment and Protection](#) project. We will liaise closely with this project as our proposals to remove constraints from the COS meter read processes will set the standards for what suppliers should be able to achieve.

5. Consumer information

- 5.19 It is important for consumers to have easy access to accurate and clear information on the switching process. Evidence from our consumer research suggests that some consumers are confused about aspects of the switching process and are unsure about how it will impact on them. This is likely to deter engagement in the market. Consumers will also require reassurance on how the roll-out of smart meters will impact on their switching experience.
- 5.20 We have identified three areas where we consider that changes should be made:
- To review the messages consumers are being given on switching (particularly around the cooling-off period) and how these can be more proactively provided to domestic consumers. Energy UK has indicated that this initiative could be developed when the current work by suppliers to respond to government's push for faster switching has been further developed. We note in particular that it has recently launched its www.energymadeclear.com website that could be used to support this work. This information should also be made available to consumers through other routes.
 - COSEG members indicated that they would request the newly formed Central Delivery Body (CDB) to include smart switching within their remit. This should allow consumers to be provided with key messages about how to switch supplier once they have a smart meter installed.
 - Building on the [Current Account Switching Guarantee](#) in banking, to consider the potential for a switching guarantee/switching charter setting out minimum standards for how a consumer will be treated. Energy UK shares our ambition in this area and has agreed to consider this once the supplier proposals to speed up the transfer process are more developed.

6. Data quality

- 5.21 Data quality was identified at the start of the COS project, including at SMCG, as a key issue for industry stakeholders. However, specific reforms have been difficult to identify as the causes of data inaccuracy are likely to be many and complex.
- 5.22 As noted above, COSEG discussions have led to UNC and IGT UNC modifications being raised to require GTs to populate the Unique Property Reference Number (UPRN) field. The UPRN provides a unique reference code for every building and plot of land in the UK. This could increase suppliers' ability to make sure that they have the correct site to transfer and avoid ETs. It may also be a useful way of linking gas and electricity into a central registration service and with the DCC (which will hold the UPRN for each enrolled smart meter).
- 5.23 Our other observation on data quality is that the ownership and governance of specific data items is not always clear, monitored or effectively enforced. In some instances there appears to be limited compulsion to update central systems when a data error is spotted. As an example, a new supplier may have to sort out metering issues before being able to bill a consumer. This can impact consumers' perception of the market and their willingness to switch.
- 5.24 We therefore propose that industry undertakes a full review of data ownership and governance and reports to Ofgem in Q2 2014 on any changes that should be made. We will be writing to Code Panels to ask them to initiate this review. At this point we will consider whether to consult on a new obligation for licence holders to update central systems when they become aware of data discrepancies.
- 5.25 The data items under the UNC are documented in the UNC file formats, which are used extensively within the gas industry. Xoserve is currently working to create a catalogue detailing these data items and their ownership similar to that available in electricity; this is scheduled for completion next year. We will write to Xoserve to understand if this work can be brought forward to facilitate an early assessment of gas data ownership and governance.

5.2 Step change to speed, efficiency and further improvements to reliability

- 5.26 The reforms that are likely to have the most significant impact on overall transfer speed and efficiency of the process will require changes to central systems. These can also deliver further improvements to reliability. They are likely to deliver benefits by removing barriers to consumer engagement and product innovation.
- 5.27 Suppliers could progress some of these reforms now, for example in response to the government's push for faster switching. In our March 2014 document we will consult on whether Ofgem should seek to deliver these changes through a Significant Code Review (SCR). Subject to responses, we aim to set out the proposed delivery approach in our Q3 2014 decision document and will take into account any industry progress in separately developing these, or related proposals.
- 5.28 As part of the request for information we have sent to the industry and our March 2014 consultation we want to test the synergies of delivering key reforms together, in particular with a centralised registration service. This will help us to take a view on the timing for these reforms and whether some can be brought forward more quickly.

1. Central registration service

- 5.29 The March 2011 smart metering 'prospectus' concluded that the DCC should take on the role of centralised registration services provider for gas and electricity 2 to 3 years after DCC go-live. Centralisation of registration services is a new opportunity created through the DCC role and SEC governance. The COSEG has debated what form centralisation should take and concluded that the registration service should be operated as a licence requirement of the DCC and be governed under the SEC.
- 5.30 This is the most far reaching of the reform proposals as it would provide the long-term, common, platform for gas and electricity consumer transfers. The business case here is likely to include harmonisation of processes, more efficient change control and a more agile and flexible system better placed to cope with future requirements from industry. Incorporating the reform areas noted below is also likely to be more efficiently achieved if they are

directly incorporated in the design of a new central registration service. This change would need to be carefully managed and would require changes to licences and industry codes. We expect to consult in March 2014 on the governance and scope of a centralised registration service and its inclusion within any proposed Ofgem SCR.

2. Objections process

- 5.31 The length of the objections process is one of the main determinants of the speed of the transfer process. In electricity there are 5 days to object and 5 days to remove any objection. In gas there is a variable objection window which can be as low as 1 to 2 working days but can be as long as 7 working days. The potential to remove objections or to amend the reasons for an objection being raised has not been considered within the scope of the COS project. However, this may be considered by Ofgem in the future.
- 5.32 The reform options discussed at COSEG, which we are currently assessing through the information request, are:
- Shortening the objection window to 2 hours
 - Requiring an objection to be made by 5pm for any loss notification received by 3pm
 - Shortening the objection window to 2 days
 - Introducing a central objections register (that the current supplier would need to keep up to date on a daily basis) so that any objection would be made the instant a transfer request was made.
- 5.33 This is an area where COSEG highlighted the potentially different demands of the domestic and non-domestic markets, for example of checking the validity of Change of Tenancy notifications. We expect to consult in March 2014 on these proposals and their potential inclusion in any Ofgem SCR.

3. Gas confirmation window

- 5.34 The high level objective in this area is to promote faster switching and alignment with electricity by removing or reducing the minimum 7 working day timeframe (the “confirmation window”⁹) between the objection window closing and the consumer transfer date (whilst allowing consumers to choose a longer switching timeframe if they wish).
- 5.35 During the confirmation window the Gemini system, run by Xoserve, undertakes gas nomination and allocation processes. Xoserve has provided an initial view that it could reduce the time needed so that the latest time that the objection could finish was 5pm the day prior to the transfer. The estimated costs ranged from £1m to £3.5m. In providing these figures Xoserve explained that it was only able to make an assessment against existing systems, which were to be replaced and the figures were indicative rather than being based on a full and robust assessment and should be treated accordingly. Xoserve has also suggested that it could go further, for example to facilitate within day switching. This was expected to significantly increase costs, for example in moving from batch to real time processing. It would also increase risk for shippers in being able to balance their positions and would require process enhancements and potentially require profiling of settlement charges within the settlement day. We would expect to consult in March 2014 on this proposal including whether it should be included within any potential Ofgem SCR. Given the potential interaction with the wholesale market, this is also an area where COSEG suggested that there could be different requirements for the domestic and non-domestic markets.

4. COS meter read (smart metering)

- 5.36 The COS meter read process can limit suppliers’ willingness and ability to offer fast switching to consumers. In electricity, the steps necessary to facilitate a meter read, namely the appointment and de-appointment of metering agents and the requirements for data exchange between these agents, all add time and complexity.
- 5.37 Our analysis points to two reform options for the electricity COS meter reading process. We have identified a potential quick win for smart meters which is described below. We have also identified one potential longer term reform for AMR and traditional meters which is described in the following section.

⁹ This is also known as the “Transfer Window”.

- 5.38 For electricity smart meters our proposal is to harness the functionality of smart meters by allowing the new and old supplier to obtain the data they need directly from a smart meter on COS. This would replace the current “gaining supplier led” process and, by also requiring the new supplier to reconfigure the meter on CoS, would remove the requirement to exchange data between agents to facilitate the COS meter read. This would require new rules to be established in industry codes (e.g. to require the old and new supplier to reconcile their COS meter reads by comparing their views of the smart meter cumulative register). Given the current roll-out of smart meters and no identified linkages to centralised registration, we think that this change should be pursued now. We therefore propose to write to the BSC Panel to set out our position and invite a party to the BSC to initiate an Issues Group to consider our proposals and develop them, or an alternative, that meets our aims.
- 5.39 To promote harmonisation, we also propose to write to the UNC Panel and SPAA Executive to ask them to consider whether equivalent changes should be made in the gas market.

5. COS meter read (AMR and traditional metering)

- 5.40 As noted above, the COS meter read process can provide a drag on suppliers’ willingness and ability to offer fast switching and can impact on consumers’ experience of their switch.
- 5.41 For electricity AMR and traditional meters we have reviewed with COSEG and its metering subgroup the potential to allow the new supplier of an electricity AMR/traditional meter to obtain the data that they require to process a COS meter read from a central database. Such a database would replicate the arrangements already in place in gas. The data held centrally would be the accurate meter technical details (MTDs) (previously passed between Meter Operators) and consumption information¹⁰ (previously passed between Data Collectors) such as the last meter read and EAC/AA.¹¹ This would remove all data dependencies for traditional meters and most data dependencies for AMR meters. There are a number of other dependencies which we believe may still act as a drag on the process:
- For electricity traditional meters, there would still be a requirement to appoint the Data Collector to process the COS read.
 - For electricity AMR meters, due in part to interoperability issues, there would still be a need to appoint agents, perform an onsite read, or replace onsite hardware to facilitate the CoS read.
- 5.42 These are areas where we are still developing our proposals.
- 5.43 In the gas market, the reliance on agents is reduced as Xoserve undertakes meter read processing and holds a central register of MTDs. In addition, the agent appointment process for Meter Reading Agents is undertaken through contracts rather than being defined in formal industry arrangements and data flows. These two factors mean that the COS meter read can be processed for gas traditional meters with relative ease. For gas AMR meters some additional issues exist around interoperability, and in line with electricity, we are still developing proposals in this area.
- 5.44 Discussions with stakeholders have suggested that, while in gas there is less of a need for structural reform due to the role Xoserve plays, a range of other issues currently exist around adherence to and definition of existing processes. Stakeholders suggested a number of areas which should be looked at further including:
- Greater monitoring, reporting and potential for audit (e.g. accuracy of reads, asset data etc) including compliance with existing protocols
 - Improved definition of agents and agent responsibilities
 - Mandatory data flows
 - Better defined/allocated responsibilities for updating and cleaning centrally held data.

¹⁰ Note that consumption history may not be needed for profile classes 5-8 under P272.

¹¹ An EAC is an estimated rate of consumption, nominally expressed in kWh/Year that is used in settlement until an AA is calculated. An AA is the rate of consumption for a Settlement Register over the period between two meter readings.

- 5.45 COSEG attendees considered that the most appropriate place to carry these issues forward would be in the proposed new gas performance assurance framework under the UNC. However, we remain interested to understand if there is scope to expedite this aspect of the reforms.
- 5.46 Our analysis also suggests that there is a range of data that could be usefully held on the registration systems (or centralised service were that to be introduced), which could support the work of agents and other industry players (in both gas and electricity). To support this, further thinking will be necessary to ensure agents have the appropriate access rights to this data.

6. Supply Point Nomination

- 5.47 The Supply Point Nomination process is applicable to all gas LSP sites and new connections in the domestic gas market. It is a mandatory request by a shipper to Xoserve for supply point data, including transportation charges, in advance of a request to transfer a site. The shipper must include a reference code (the Supply Point Offer Reference Code), received from Xoserve in the response to the Supply Point Nomination (the Supply Point Offer), in any subsequent request to transfer the site.
- 5.48 The Supply Point Nomination Process is not a feature of the electricity market and has the potential to delay the transfer process. COSEG discussed several options for reform including complete removal of the Supply Point Nomination process and accessing the data via other means such as an online web portal.
- 5.49 Xoserve provided information to show that, in the vast majority of cases, the Supply Point Offer, sent in response to the Supply Point Nomination, was turned around within the hour. This reduced concerns about the impact of Supply Point Nomination process on transfer timescales. However, COSEG still felt that efficiencies could be achieved by making the Supply Point Nomination process elective where it was not needed. The view from GTs was that this process should be mandatory for sites above a certain capacity threshold and they have been asked to provide views on the threshold below which they would be comfortable for the process to be elective. Suppliers at COSEG requested that the Supply Point Nomination process should be operated through the centralised registration service, were that to be introduced, so that they had a single point of contact for the transfer process. We would expect to consult in March 2014 on this proposal and its inclusion within any proposed Ofgem SCR.

6. Other issues

- 6.01 COSEG reviewed a number of other issues which have not resulted in policy proposals at this stage. An update on security keys, the interaction between the transfer process and the cooling off arrangements and the potential for electricity Data Processor (DP) and Data Aggregator (DA) agent centralisation is set out below.

6.2 Security keys

- 6.02 Before a consumer with a smart meter transfers, it is preferable for that meter to have been loaded with the new suppliers' security key to allow access control and the new supplier's meter configuration details. The Smart Meter Implementation Programme (SMIP) has agreed an interim arrangement for managing the transfer of security keys to the smart meter on COS which involves the DCC passing on the security key to the meter. The enduring arrangement for the management of security keys, whereby the old supplier will have responsibility for loading the new supplier's security key onto the smart meter, will be introduced during roll-out to meet regulatory security requirements. This additional process will need to be incorporated within the COS process. SLAs will need to be established that support fast (ie next/within day) switching.
- 6.03 The responsibility for designing and implementing the enduring change of supplier security key arrangements and SLAs will sit with the SEC Panel as part of its broader smart metering security obligations. We will consider our ability to signal the requirements for the SLAs developed for the enduring solution to meet or exceed the requirements needed to meet the minimum speed of switching in any potential Ofgem SCR.

6.3 Cooling-off arrangements

- 6.04 The EU Consumer Rights Directive (CRD) provides for new rules relating to cooling-off periods that must be implemented next year. Specifically, the CRD provides the consumer with a 14 day cooling-off period that the consumer will not be able to waive. Where the consumer provides express agreement, the new supplier can supply energy during the cooling-off period (“an express transfer”). The consumer will still be able to cancel their contract without termination penalties during that period. However, the new supplier will be permitted to charge the consumer for the gas/electricity supplied before the contract is terminated.
- 6.05 It is important to make these arrangements work for consumers so that they are not disadvantaged if they chose to switch during the cooling-off period. Suppliers must also be clear about what is expected of them so they can confidently start the switch as soon as possible after receiving a request from a consumer. This can help to move towards our aim of fast, eg next or within day, switching.
- 6.06 We are working with the Department for Business, Innovation and Skills (BIS) to understand how it intends to transpose the CRD into law. Once this is finalised, we will consider the need to call an ad-hoc COSEG to review how the new cooling off arrangements can facilitate fast switching for consumers. As part of any further COSEG discussion we will consider the potential to make any changes now or in the longer term, for example by including specific arrangements within the scope of the centralised registration service.

6.4 DP/DA

- 6.07 Our current view is that centralising the DP and DA requirements is not required to improve the speed and reliability of the transfer process. Instead, the data dependencies created by the existing arrangements can be removed through other means (as set out above). Nonetheless, other efficiency drivers to centralise DP/DA in the electricity market may still exist. This view was supported by many COSEG members.
- 6.08 COSEG noted the links between the structure of the DP and DA arrangements and electricity settlement reform. It was suggested that any decision on centralisation should only be made when it is clear what the data processing and aggregation requirements are to support the new electricity settlement arrangements. This would allow the implications of removing metering agent roles from the market to be fully assessed. To support efficient change control for market processes, COSEG members also requested that any changes to centralise DP/DA agents should be coordinated with any improvements to deliver the outcome of the electricity settlements project.
- 6.09 In light of these concerns, we will consult in March 2014 on our proposals to improve the change of supplier meter reading processes without centralising DP and DA services. We will also consider the potential implications DP/DA centralisation as part of our work on electricity settlement. Subject to the outcome of both these work areas we will consider how best to progress any work on centralising the DP and DA requirements.

Annex: Topics discussed at COSEG and links to relevant documents

7.01 In this annex we list the main topics that were reviewed at the COSEG meetings. For ease of reference, we provide links to the documentation used to support their review.

Topic	Analysis paper	Slides presented at COSEG	Discussion at COSEG
Objections	Summary of reforms – section 2.2 & 2.3 Xoserve shipper access review	COSEG1 slides 18-21, 42-55 and 63 COSEG2 slides 2-16	COSEG1 minutes – section 9 COSEG7 minutes – section 6.8
Confirmation window (gas only)	Summary of reforms – section 2.4 Xoserve shipper access review Xoserve High Level Cost Report	COSEG1 slides 56-62 COSEG2 slides 20-26	COSEG1 minutes – section 10 COSEG7 minutes – section 6.12
Erroneous transfers	CoS Options Analysis – Erroneous Transfers Summary of reforms – section 2.11	COSEG2 slides 27-46 COSEG3 slides 2-9	COSEG3 minutes – section 4
Data transfer and access requirements	CoS Options Analysis - Data quality: materiality and initiatives	COSEG2 slides 47-61	
Centralised registration services	CoS Options Analysis – Registration Services Summary of reforms – section 2.9	COSEG3 slides 10-20 COSEG4 slides 34-42 COSEG7 slides 2-3	COSEG3 minutes – section 5 COSEG4 minutes – section 4 COSEG7 minutes – section 7
Supply Point Nomination (gas only)	CoS Options Analysis – Supply Point Nomination Summary of reforms – section 2.1 Xoserve shipper access review	COSEG3 slides 31-39 COSEG5 slides 13-21	COSEG3 minutes – section 7 COSEG5 minutes – section 5 COSEG7 minutes – section 6.2
Data quality (ownership and governance)	CoS Options Analysis - Data quality and governance Summary of reforms – section 2.12	COSEG4 slides 60-68 COSEG5 slides 5-12	COSEG3 minutes – section 8 COSEG4 minutes – section 6 COSEG5 minutes – section 4 COSEG7 minutes – section 6.18
Access to metering data and support for metering market	Summary of reforms – section 2.5 & 2.7	COSEG4 slides 2-33 COSEG5 slides 22-53 COSEG7 slides 4-11	COSEG4 minutes – section 3 COSEG5 minutes – section 6 COSEG7 minutes – section 6.15
Change of tenancy flag	CoS Options Analysis – Change of tenancy flag	COSEG6 slides 5-10	COSEG6 minutes – section 4
Billing standards	CoS Options Analysis – Billing arrangements during the transfer process Summary of reforms – section 2.10 & 2.13	COSEG5 slides 60-66	COSEG5 minutes – section 8 COSEG6 minutes – section 5 (Customer information) COSEG7 minutes – section 6.17
Cooling-off periods	CoS Options Analysis – Cooling-off period	COSEG3 slides 21-30 COSEG4 slides 43-50	COSEG3 – section 6