

Nigel Nash
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

7th July 2003

Dear Nigel,

Customer Transfer Process – response to the Ofgem discussion document dated June 2003.

We welcome the project to look at problems in the Customer Transfer Process as was discussed and agreed at the industry summit meeting on the 11th June 2003.

Any analysis of current problems must be thorough. Our initial belief is that the problems are mainly in the Domestic business in connection with electricity. As an I&C supplier involved primarily in gas, we are keen to ensure that the investigation is not biased towards any specific market segment. We do not get the impression from our customers that they are overly dissatisfied with the current processes. To making sweeping generalisations as is done in the summary to the document, that the existing systems and processes are not fit for purpose is far too broad. However we accept that if there are problems that are preventing customers from considering switching then this needs to be addressed as it would otherwise be detrimental to competition. Again in the I&C gas market, we believe there is an excellent experience of customers being prepared to switch and that in this sector of the market competition continues to perform well.

We have significant experience of carrying out transfers of large numbers of sites with the same effective transfer date using the existing industry standard processes. Where some form of intervention with the standard process has been required, this has been for a variety of reasons including

- > Incorrect data provided by consumers (or their agents) or held by the shipper or transporter
- > The non-transferable site being subject to another industry process preventing standard processing e.g. a meter exchange

Our point here is that for I&C gas the processes work well and it is difficult to see how they can work better. Data policing and accuracy by all industry participants (including consumers) appears to be the key to further performance improvements rather than process and system change.

We must also recognise that consumers have benefited greatly from the specialisation of suppliers. Not only has this led to a greater level of reduction in the market share of the previous incumbent monopoly Suppliers, it has also allowed specialisation of services. It would not be beneficial to I&C consumers if necessary improvements in the domestic market were to lead to degradation on the services and savings that are available to them as a result of competition.

Our view is that for our customers, accurate transfer, where this may often include multiple sites many with multiple meters, is the priority rather than speed of transfer. It is also vital that the transfer process properly allows for the gas shipping elements to be included to ensure that the gas associated with any supply can be properly accounted for. Unless this is handled properly the integrity of the system could be compromised.

Assuming the project progresses to the proposal stage for solutions, it is vital that these be properly cost justified. Investment to date in business process and IT systems is very significant and we are keen to make sure that this investment is not devalued unnecessarily to avoid raising end consumer prices.

We accept that data quality has been an issue in gas since the I&C (over 25,000 therm) market was first opened. The later introduction of the Network Code resulted in some improvements but there are still significant problems with regard to the quality of data, particularly meter information, which can affect both the transfer process and the subsequent billing accuracy. Whilst the industry has worked hard to improve this there needs to be continuing focus to effect further improvement. Additionally the industry needs to ensure that new developments such as the introduction of metering competition do not introduce the potential for any deterioration in the quality of this data. We would stress that we do not consider the current transfer processes in gas to be impacting the data quality. Improvements will continue through better policing, monitoring and consumer awareness of the importance of data.

Overall we would support at this stage focus on a continued evolutionary approach rather than substantial re-engineering. Further market changes are being contemplated such as the separation of Transco's distribution price control and the potential for the selling off of one or more LDZ's. Such change must be managed effectively and any contemplated changes to the transfer processes must be considered against this background.

While we understand the aspiration to harmonise the gas and electricity processes for the domestic market, we are not convinced of the case for so doing, either generally or particularly in I&C. If changes to the transfer process are being considered to harmonise the gas and electricity markets, whilst we are not yet convinced of the justification for this per se, our inclination is that the general direction should be to adopt the gas processes rather than the electricity ones, the former being far more simplistic in their structure and, we believe, better designed. Similarly we believe that change should be evolutionary. Significant investment has been made in the supporting infrastructure and we do not believe that there is sufficient Dual Fuel demand within the I&C sector to justify potentially large, big

bang type changes. With hindsight, the opportunity for harmonisation existed when the current electricity processes were being developed but for whatever reason, this opportunity was not taken.

In Section 4.9 Ofgem lists various categories that any change must address. Whilst we recognise the importance of the categories, we would again stress that in developing any solutions, the particular circumstances of a market sector must be properly taken into account.

- > Time taken to transfer – we do not believe that transferring within a day is a priority for the vast majority of our customers. Most will themselves have complex processes to administer, particularly for large multi-site contracts, that could not be completed in this sort of time frame and which if not completed correctly would cause them significant problems in terms of tracking who their supplier was together with the associated terms of the contract. We believe that certainty and accuracy are more important to our customers than speed. We agree that ensuring the customer is kept fully informed as to the status of the transfer is key. We also judge the management of the customer's expectations to be key. By ensuring that the processes operate robustly rather than at maximum speed, and that consumers switch suppliers when expected, the customer experience of switching is vastly improved.
- > Different arrangements for gas and electricity. Whilst harmonisation initially appears an attractive proposal, it is not key for most of our customers. Their priority is to get the best terms for an individual item of supply and they are fully prepared to consider different suppliers accordingly. Many of our customers still operate different tender times for gas and electricity and are happy to continue this in order to utilise best their own resources. Where transfer for both utilities is a specific requirement then this can usually be managed by the supplier though a proper understanding of the different processes and planning the work accordingly.
- > Billing problems following transfer. This is a key area for our customers and is, we believe, one of the reason why they are prepared for the process to take the necessary length of time in order to ensure that data problems are resolved and actual opening meter reads arranged. Because this is so important we address this through the creation of a specialist 'first bill' team to manage the customer onto the portfolio until the first meter read has been reflected in an accurate and timely bill. The main focus of this team is the processing of meter reads, CCL and VAT registration rather than the transfer itself, all areas that make the I&C processes significantly different from the domestic processes.
- > Problem resolution. We agree that this is key for our customers and is one of the reasons why we have pushed hard in the past for improvements in the Transco 'Standards of Service'.
- > Accountability. We agree that it is vital that suppliers take responsibility for resolving problems. The I&C industry operates a successful Code of Practice which is used to resolve problems arising from late transfers or inaccurate transfer readings etc.
- > Information provision. Significant improvements have already been made in the gas sector with respect to the provision of information to customers about the details of their supply. For example in gas, we can look up MPRN's but this

is not the case in electricity where we are reliant on the consumer to provide the MPAN.

- > We must also recognise that there is now a disconnect between the definition of customers under Network Code and the Utilities Act. The change from a consumption split to a usage split has not been fully reflected in the systems and processes and is a case where a proper review may be beneficial.

Overall,

- > We intend to be fully involved in any work to identify problems in the customer transfer process
- > We are always keen to improve the process, not least because making the process more successful, reduces our own costs and can enable us to enhance our competitiveness and our services to consumers
- > We remain to be convinced of the need for a major overhaul of the transfer process particularly for the I&C gas sector without yet having seen a full cost benefit study. Unnecessary work to deliver harmonisation of gas and electricity registration must be avoided as it will
 - > require substantial investment in time, effort and investment by the industry which, unless significant efficiencies are generated through this, will have to be recovered from I&C consumers
 - > prove disruptive and create problems which currently don't exist, while the changed systems are further revised as and when deficiencies are identified
- > If there are significant problems identified in the domestic processes then consideration should be given to formally separating the domestic and I&C systems, in order to avoid one market segment imposing costs on another
- > We must recognise that the market cannot be looked at over simplistically. Different sectors of the market have different requirements and priorities and unless we recognise these making improvements in one sector may actually disadvantage another. "One size does not fit all" and effective competition should support the differing requirements of particular market segments.

Should you have any queries regarding any issues raised in our response, please do not hesitate to contact myself for further assistance.

Yours sincerely

Steve Ladle
Head of Regulation

Tel: +44 (0)20 7318 6814

Fax: +44 (0)20 7318 6717

E-mail: steve.ladle@total.com