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value for all customers*

MRASCo c/o Gemserv, MRA  
Parties, energywatch and Other  
Interested Parties

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18<sup>th</sup> July 2007

Dear Colleague,

**Modification to the Master Registration Agreement ("MRA") 178: "Updating the MRA in line with the revised Electricity Supply Licence" (the "Change Proposal")**

**Gas and Electricity Markets Authority consent in relation to the Change Proposal and notice of reasons.**

**Summary**

The Gas and Electricity Markets Authority (the "Authority"<sup>1</sup>) has carefully considered the issues raised in a Statement of Fact<sup>2</sup> dated 22<sup>nd</sup> June 2007 (the "Statement of Fact") provided to it by MRASCo (c/o Gemserv) and the Change Proposal.

Having had regard to paragraph 4 of standard licence condition ("SLC") 37 of the electricity distribution licence (The Metering Point Administration Service and the Master Registration Agreement)<sup>3</sup> and its wider statutory duties<sup>4</sup>, the Authority provides its written consent to the modification of the MRA in line with the Change Proposal.

<sup>1</sup> "Ofgem" is the Office of the Gas and Electricity Markets, which supports the Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's primary aim is to bring choice and value to all gas and electricity customers, where appropriate by promoting competition and regulating monopolies. The Authority was established by the Utilities Act 2000 and its powers are provided for under the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998, the Utilities Act 2000, the Enterprise Act 2002 and the Energy Act 2004. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

<sup>2</sup> The Statement of Fact provided by Gemserv includes a formal request for the Authority's consent for MCP 177, a copy of MCP 178 including the reasons for the proposed change and its details and an extract from the draft minutes of the relevant MRA Development Board meeting highlighting the outcome of the vote and any views expressed by MRA Development Board representatives.

<sup>3</sup> This paragraph provides that:

"The Master Registration Agreement shall comprise:

- a) terms for the provision of metering point administration services in accordance with the requirements of paragraph 3 of standard condition 14 (Provision of the Metering Point Administration Service and Compliance with the Master Registration Agreement) and the equivalent requirements in the distribution licences of all other licensed distributors;
- b) provisions to facilitate, and procedures and practices to be followed by electricity suppliers in relation to changes of electricity supplier in respect of any premises;

This letter explains the background to, and sets out the Authority's reasons for its consent to the implementation of, the Change Proposal.

## **Background**

In August 2005 Ofgem launched the Supply Licence Review project "Gas and Electricity Supply Licence Review, Way Forward"<sup>5</sup>.

The Supply Licence Review aimed to bring the regulatory rules for gas and electricity suppliers up-to-date given that competition is now firmly established and that developments in consumer and competition law make some rules redundant. The key themes of the proposals were:

- removal and simplification of licence conditions,
- striking the balance between competition and regulation,
- protection of vulnerable customers,
- opportunity for self-regulation; and
- promotion of innovation.

Following wide public consultation, Ofgem decided, inter alia, to make changes to the conditions of the Supply Licence which deal with suppliers of last resort.

In June 2007 Ofgem published the Supply Licence Review – Final Proposals document<sup>6</sup>. This document included the statutory modification notice required under the Electricity Act 1989. This notice set out, inter alia, the Authority's proposed modifications to the Electricity Supply Licence in relation to suppliers of last resort.

The closing date for representations or objections was 29 June 2007. No statutory objections to the proposed modifications were received. The Authority made a direction modifying the Electricity Supply Licence on 6 July 2007; the modifications contained in that direction will come into effect on 1 August 2007.

Further to the direction to modify the Electricity Supply Licence, the MRA needs to be altered in order to reflect the changes made to the standard conditions of the Electricity Supply Licence in relation to suppliers of last resort.

## **The Change Proposal**

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- c) a catalogue of definitions, flow and forms of such data as may require to be transferred by or to parties to the Master Registration Agreement, or as between any persons for settlement purposes or for any related purposes (the "data transfer catalogue");
  - d) arrangements for the variation of the Master Registration Agreement following consultation with the parties, or representatives of the parties, to that agreement;
  - e) provisions (which shall require to be approved in advance by the Authority) by virtue of which the whole or specified parts of the Master Registration Agreement shall not be capable of variation without the prior approval of the Authority; and
  - f) such other matters as are or may be appropriate for the development, maintenance and operation of an efficient, co-ordinated and economical system for the supply of electricity and for the purpose of facilitating competition in electricity supply.

<sup>4</sup> The Authority's statutory duties are wider than the matters that MDB must take into consideration including a principal objective to protect the interests of consumers by promoting effective competition where appropriate.

<sup>5</sup> [http://www.ofgem.gov.uk/Markets/RetMkts/Compl/SLR/Documents1/11381-187\\_05.pdf](http://www.ofgem.gov.uk/Markets/RetMkts/Compl/SLR/Documents1/11381-187_05.pdf)

<sup>6</sup> <http://www.ofgem.gov.uk/Markets/RetMkts/Compl/SLR/Documents1/SLR%20Final%20Proposals%20Decision%20Doc.pdf>

The Change Proposal was submitted on 3<sup>rd</sup> May 2007 by Brendan McGarry of Gemserv. The proposal seeks to amend certain definitions in Clause 1 and seeks to amend Clauses 15 and 26 of the MRA. In particular, the proposal replaces the definition "Last Resort Direction" with the definition "Last Resort Supply Direction", updates the description of a "licensed Supplier" and makes the necessary consequential amendments which flow from those changes.

In accordance with Clause 9.5 of the MRA, any change to any definition in Clause 1.1 which may materially affect the provisions of the Clauses set out in Clause 9.5.1 (i.e. including clauses 15 and 26) or any change to Clauses 15 and 26 shall not take effect without the consent of the Authority.

The proposed amendments to the MRA are shown below:

**WHEREAS:**

- (C) Condition 11.2 (a) 29 of the Electricity Supply Licence provides that each Supplier licensee is required to be a party to and comply with the provisions of this Agreement.

**1 DEFINITIONS AND INTERPRETATION**

<b>"Last Resort <u>Supply</u> Direction"</b>	has the meaning given to that term in Condition <u>1.3</u> 29 of the Electricity Supply Licence
"licensed Supplier"	<del>has the meaning given to the term in the Electricity Supply Licence:</del> <u>means any holder of an</u>
"SoLR"	means the Supplier of Last Resort as provided for in Clause 26.1 who shall be treated for the purposes of the MRA as (i) subject to the obligations and liabilities related to or connected with the Metering Points contained in its Last Resort <u>Supply</u> Direction; (ii) the Supplier for all Metering Points included in their Last Resort <u>Supply</u> Direction (and as having appointed and registered the agents of the Supplier who has had its Electricity Supply Licence revoked in respect of such Metering points;  until such time as the SoLR, or another Supplier, becomes registered in respect of the Metering Point pursuant to Clause 15;

## 15 PROCEDURE FOR APPLICATION FOR REGISTRATION BY A SUPPLIER

- 15.1 Where the New Supplier has been appointed to the Metering Point as a result of a Last Resort Supply Direction ~~Last Resort Direction~~ pursuant to Clause 26.1, then Clause 26.3 shall apply and Clause 15.10 shall not apply.

## 26 REVOCATION OF LICENCE

- 26.1 Where an MPAS Provider receives a copy of a direction (the "**Last Resort Supply Direction** ~~Last Resort Direction~~") from the Authority to a Supplier ("SoLR"), which directs the SoLR to inform the Customers of another Supplier whose Electricity Supply Licence has been or is about to be revoked (the "**Defaulting Supplier**"), of such revocation, the relevant MPAS Provider shall notify the SoLR as soon as reasonably possible, but within 4 Working Days of receiving such copy, of all data items in respect of all Metering points in respect of which the Defaulting Supplier is Registered on its MPAS Registration System. Such details shall be transmitted using the mode of communication agreed between the relevant MPAS Provider and SoLR.
- 26.2 Where an MPAS Provider receives a request from the Authority to notify it of the number of Metering Points registered to a specific Supplier in its MPAS Registration System ("**Metering Point Count**") by 14:00 hours on a Working Day, it shall provide the Authority with the Metering Point Count by 09:00 hours on the following Working Day. Where the request for a Metering Point Count is received after 14:00 hours the relevant MPAS Provider shall provide the Metering Point Count to the Authority by 12:00 Hours on the following Working Day.
- 26.3 Pursuant to Clause 26.1 the SoLR shall be deemed responsible, and the Defaulting Supplier shall cease to be reasonable, for the supply of electricity through the Metering Point from 00:00 hours on the date on which the Last Resort Supply Direction ~~Last Resort Direction~~ takes effect.
- 26.4 The SoLR shall use reasonable endeavours to Register for all Metering Points detailed in the notification from MPAS received pursuant to Clause 26.1, as soon as possible after receipt of that notification and in any event within 3 months of the date the Last Resort Supply Direction ~~Last Resort Direction~~ takes effect.
- 26.5 MEC shall agree and issue appropriate procedures relating to a SoLR (which procedures shall be subordinate to and shall not be inconsistent with the procedures set out in the MRA) and the parties agree to comply with those procedures as issued from time to time.

### MRA Development Board ("MDB")<sup>7</sup>

In accordance with the process set out in Clause 9 of the MRA, the Change Proposal was considered at a meeting of the MDB on 31<sup>st</sup> May 2007.

At that meeting, 7 suppliers, 2 distribution businesses and the settlement body voted in favour of the Change Proposal, 2 distribution businesses voted no interest.

Consequently, the MDB accepted the Change Proposal with a proposed implementation date of:

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<sup>7</sup> The MDB is a group that has been delegated responsibility by the MRA Executive Committee ("MEC") for MRA change control.

- (a) the date on which the revised standard conditions of the Electricity Supply Licence come into effect; or
- (b) the date of the Authority's consent,

whichever is the later.

On 22<sup>nd</sup> June 2007 Gemserv, on behalf of the MDB, requested the Authority's consent for the Change Proposal.

### **Ofgem's view**

The changes to the MRA are required in light of Ofgem's Supply Licence Review; the changes reflect the modifications made to the standard conditions of the Electricity Supply Licence.

Ofgem has carefully considered the proposals set out in the Statement of Fact and the result of the MDB's voting. Having regard to paragraph 4 of SLC 37 of the electricity distribution licence and its statutory powers and duties, including those under the Electricity Act 1989, the Authority has decided to consent to the Change Proposal.

Ofgem considers that the Change Proposal will better achieve the requirements of paragraph 4(f) of SLC 37 for the "development, maintenance and operation of an efficient, co-ordinated and economical system for the supply of electricity and for the purpose of facilitating competition in electricity supply". This Change Proposal Ofgem ensures that the MRA reflects properly the provisions of the modified standard conditions of the Electricity Supply Licence.

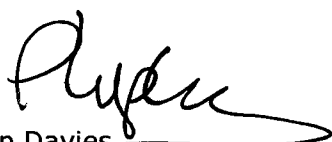
### **The Authority's Decision**

Pursuant to Clause 9.5 of the MRA, the Authority hereby consents to the implementation of the Change Proposal. This consent and the change which is the subject of the Change Proposal will take effect on and from 1 August 2007.

Unless the context otherwise requires, words and expressions used in the MRA shall bear the same meaning in this letter.

If you have any questions regarding this decision please contact Joanne Tackley on 020 7901 7254.

Yours faithfully,



Philip Davies  
Director of Markets  
for and on behalf of the Gas and Electricity Markets Authority