

# Change of Supplier Expert Group

Meeting 6

16 September 2013

ofgem

# Research with non-domestic customers

## What does it mean for the reforms?

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Initial thoughts?

# Research with non-domestic customers

## What does it mean for the reforms?

### What consumers told us

Smaller customers are more focussed on earlier stages in customer journey.

CoS more of a concern for larger customers.

The most common problem experienced by medium-large customers and TPIs was objections.

Transfer and billing issues also a problem.

### Initial thoughts on what it means for policy...

- For the smaller non-domestics, RMR work is likely to be a higher priority in the current market context. CoS project will build on these reforms as the market develops.
- Larger non-domestics have a more immediate appetite for CoS improvements, suggesting 'quick wins' to address their concerns would be beneficial.
- Further thinking necessary to understand how we might address consumer concerns around objections.
- Reform around objections not likely to be dependent on smart meters, which indicates this could be an area for early focus.
- Reliability more broadly, intended to increase as a result of smart and AMR meters.

# Research with non-domestic customers

## What does it mean for the reforms?

### What consumers told us

Increasing the speed of CoS is less of a priority. However, for some customers a faster switch could have benefits, providing it is not at the expense of reliability.

Non-domestic consumers expected that a 48 hour transfer could and should be possible.

Range of issues also raised with the contract termination process and out of contract rates.

### Initial thoughts on what it means for policy...

- Faster process would be of benefit to some customers which indicates that this should remain a project objective.
- Reforms should be developed with the future market context in mind.
- Important to ensure that we address consumer concerns around any trade-off between speed and reliability. We consider that reforms can deliver a faster and more reliable process.
- Some of these issues are being addressed for micro-business customers under RMR.
- As part of the review of automatic rollovers, Ofgem will be looking at the prices businesses pay when they move onto deemed and out of contract rates instead of fixed term contracts, and if any additional regulation is required in this area.

Andrew Wallace

# **CHANGE OF TENANCY (OBJECTIONS)**

- Our high level objective in this work area is for the use of the COT flag to promote (and not to inhibit) fast and accurate customer transfers.
- The COT flag indicates to the current supplier that the customer is a new owner or occupier of the premises and the current supplier should not object.
- When looking to speed up the objections process, some suppliers wanted processing time to check validity of the COT flag.
- Concerns have previously been flagged on misuse of the COT flag

## Electricity (MRA)

- Domestic and non-domestic suppliers must check if there has been a COT before submitting a transfer request
- Only use COT flag where have reasonable grounds to do so (having made reasonable enquires)
- Retain evidence for at least one year

## Gas (UNC)

- Current shipper may not object if there has been a change of tenancy
- Rules do not apply to non-domestic sector
- No specific requirements to have “reasonable grounds” or to retain evidence

## **Question 1:**

- How many registrations are currently submitted with a COT flag? How often does the current supplier reject the COT flag as being spurious and submit an objection?

## **Question 2:**

- Is there an ongoing requirement for the current supplier to be able to validate a COT flag before deciding whether to object? If so, is this for all, or some customer groups?

## **Question 3:**

- How long does it take a supplier to validate a COT flag i.e. to determine if it been incorrectly applied?



## Question 4:

- **If** there is an ongoing requirement for the current supplier to be able to validate a COT flag, are there additional regulatory measures that could mitigate the perceived risk of it being incorrectly applied?
  - Further definition on the evidential requirements?
  - Audit/monitoring?
  - Enforcement/penalties?

## Question 5:

- Are there any reasons for adopting a different approach between the gas and electricity markets?

# SUMMARY OF DISCUSSION AND REVIEW OF IMPLICATIONS FOR OBJECTION REFORM PROPOSALS

Andrew Wallace

# **OUTSTANDING ISSUES**

- Our high level objective in this work area is for consumers to have easy access to accurate and clear information on the switching process to promote engagement in the market.
- Our research suggests that most customers understand that they can switch
- However, there is confusion on key areas that may impact a consumers decision to switch. For example:
  - Cooling off periods
  - Communication with their new and old supplier

## **We would welcome COSEG's views on the following options:**

- Further work to promote key messages on consumer switching and clarify current areas of confusion
- Review existing consumer switching information to ensure that it is fit for purpose in context of smart metering
- Setting out the basic standards that a customer should expect to be met if they choose to switch (eg a customer switching charter). This could include cooling off arrangements, timescales, who to contact and billing.

- Our high level objective in this work area is to minimise the number of erroneous transfers that occur in the electricity market.
- ET rate is currently around 1% with a further 0.5% of transfers using the Customer Returners Process in both gas and electricity
- Process currently exists in the gas market with around 0.5% of domestic transfer requests being withdrawn

### **We would welcome COSEG's views on the following questions:**

- Should an electricity registration withdrawal process be introduced? If so, are there reasons why this has not been proposed?
- Any differences in approach required between:
  - Smart and traditional meters?
  - Domestic and non-domestic?

- Non-domestic consumers with multiple meters and sites requested portfolio aggregation to help ensure a smooth transfer of all of their sites
- Management of complex portfolios can be time consuming for customers
- Potential consequences if not all of the sites transfer as requested, for example in incurring out-of-contract rates
- Limited aggregation for transportation charging purposes previously existing in the gas market. Only for sites owned by same person within common curtilage



### **We would welcome COSEG's views on the following questions:**

- What are the potential costs and benefits of aggregation for multi site/meter portfolios?
- Should this issues be tackled under the scope of the COS project (and potentially incorporated in a new centralised registration system)?
- Any differences in approach required between:
  - Smart and traditional meters?
  - Domestic and non-domestic?
  - Electricity and gas?

- Our high level objective in this work area is to ensure that consumers are not constrained by the operation of industry systems and processes from switching as frequently as they wish
- Electricity consumers prohibited from switching within 10 days of a transfer
- Gas transfer arrangements preclude the consumer switching again within 3 weeks of a transfer
- Potential impact on ETs, Customer Service Returners and customers that agree to a fast transfer and who change their mind during the cooling off period

### **We would welcome COSEG's views on the following questions:**

- What are the potential benefits of retaining lock-out periods eg for billing, market stability etc?
- Should a lock out period be retained for all circumstances or should there be exceptions?
- If a lock out period should be retained, how and when should this be determined?
- Any differences in approach required between:
  - Smart and traditional meters?
  - Domestic and non-domestic?
  - Electricity and gas?

- The new supplier's security key must be loaded onto a smart meter to allow it to configure and read the meter. Desirable for this to be loaded prior to the transfer .
- SMIP has determined:
  - Approach for sending security keys to smart meters for DCC go-live
  - Enduring solution is required to be introduced part way through roll-out
- Both the DCC and the SEC Panel will have requirements to ensure robust security arrangements are in place
- SLAs for loading security keys will impact and may constrain switching timescales

## **We would welcome COSEG's views on the following questions:**

- Are there any links between the security key arrangements and centralising registration other than implementation efficiency?
- Should the SEC Panel govern the development of the enduring solution and SLAs for security keys?
- What is the best approach to ensure that the SLAs for security keys do not inhibit fast switching whilst maintain reliable transfers?

Andrew Wallace

# **REVIEW OF COS REFORM OPTIONS**

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Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Scenario 2a</b>	Transfer takes place and customer continues with new supplier (Supplier B) under deemed contract
<b>Scenario 2b</b>	Transfer takes place and customer returns to previous supplier (Supplier A) on original contract terms
<b>Scenario 2c</b>	Transfer takes place and customer returns to previous supplier (Supplier A) under deemed contract
<b>Scenario 2d</b>	Transfer takes place and customer is given the choice to move to back to Supplier A or move to an alternative supplier (Supplier C). (i) If chooses to be returned to Supplier A, will be on a deemed or original contract (as described under Option 2b or Option 2c); or (ii) If chooses to move to Supplier C, will be on a deemed contract with Supplier B until the transfer takes place.

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Option 1</b>	Shorten response timescales
<b>Option 2</b>	Web-based shipper look-up/enquiry service
<b>Option 3</b>	Greater use of Supply Point Enquiry Service
<b>Option 4</b>	Only allow DM referrals once CoS completed
<b>Option 5</b>	Make inclusion of the Supply Point Offer reference code elective in the Supply Point Confirmation process for LSP sites.
<b>Option 6</b>	Make inclusion of the Supply Point Offer reference code elective in the Supply Point Confirmation process for <u>smaller</u> LSP sites



Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
Option 1	No objection process
Option 2	Roll-backs
Option 3a	Shorter objection window: "x" hour objection window
Option 3b	Shorter objection window: fixed cut-off within day
Option 3c	Shorter objection window: 1 or 2 days
Option 4a	Central register of objections
Option 4b	New supplier can access central register of objections in advance of transfer
Option 5	Losing supplier declaration of "no objection"

REVIEW COT AT  
COSEG 6

# Summary of policy options

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Option 1</b>	Reduce confirmation window
<b>Option 2</b>	Remove confirmation window

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ROM AT COSEG 6**

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Option 1a</b>	Reform change of supplier process within 'current + DCC' market structure
<b>Option 1b</b>	See option 1a. In addition, for AMR/traditional metering, <b>new</b> supplier responsible for CoS read <u>and</u> MTDs and historical reads held centrally (as necessary depending on P272)
<b>Option 1c</b>	See option 1a. In addition, for AMR/traditional metering, <b>new</b> supplier responsible for CoS read, removing data dependencies
<b>Option 2</b>	Supplier responsible for feeding smart data into central settlement
<b>Option 3</b>	DCC responsible for DP/DA
<b>Option 4</b>	Central settlement systems incorporate DP/DA
<b>Option 5</b>	Hybrid – place DP and DA activities under central bodies where they best fit
<b>Option 6</b>	(Gas) Performance Assurance
<b>Additional options</b>	Agent access to data to support metering competition and record whether agents appointed by the customer.

# Summary of policy options

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Option 1</b>	Enforceable standards for the old supplier to send security keys to the meter that support minimum switching time and reliability

**REVIEW AT  
COSEG 6**

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Core option	Sub-option
<b>Option 1</b>  DCC takes on responsibility for centralised registration service	a) Governance under SEC
	b) Governance retained under existing industry codes
<b>Option 2</b>  SEC Panel takes on responsibility for registration with governance under SEC	a) Existing network operators provide physical registration services
	b) DCC provides a “front end” switching service and network operators provide master registration databases
	c) DCC provides full registration services
	d) Registration services provided by Third Party

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	<b>Billing standards</b>	Erroneous transfers	Data quality
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Option	Description
<b>Option 1</b>	<u>Removing system constraints</u> – (Gas Only) Amend timescales for COS meter read submission and validation
<b>Option 2</b>	<u>Removing system constraints</u> – Allow losing supplier to obtain closing read directly from a smart meter in the gas and electricity markets
<b>Option 3a</b>	<u>Improving standards</u> – Industry self governance. Delivered through codes of practice/switching charter. Could include higher standards, extending requirements to small domestic and non-domestic, including opening bills and payment of credit balances.
<b>Option 3b</b>	<u>Improving standards</u> – as with Option 3a but delivered through regulatory measures eg through obligations (licences) or incentives (guaranteed standards)

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Option 1a</b>	<u>Verification of MPxN</u> : New supplier acting as an ESCo could access the meter and obtain a meter read to verify with the consumer
<b>Option 1b</b>	<u>Verification of MPxN</u> : New supplier acting as an ESCo could send a Customer Information Number (CIN) to the IHD or Consumer Access Device (CAD) to verify with the consumer
<b>Option 1c</b>	<u>Verification of MPxN</u> : The new supplier acting as an ESCo could access the smart meter and obtain MPxN directly
<b>Option 2a</b>	<u>Regulation</u> : Require a supplier to pay compensation to the consumer
<b>Option 2b</b>	<u>Regulation</u> : Performance assurance measures under industry codes
<b>Option 2c</b>	<u>Regulation</u> : Enforcement of licence conditions by Ofgem
<b>Option 3</b>	Measures to improve the efficiency with which customers can be returned back to their previous supplier
<b>Option 4</b>	Improved data capture on price comparison websites

Cooling off arrangements	Supply Point Nomination (gas only)	Objection process	Confirmation window (gas only)	Metering	Security keys	Centralising registration services	Billing standards	Erroneous transfers	Data quality
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Option	Description
<b>Option 1</b>	Mandate roll-out of UPRNs in registration systems
<b>Option 2</b>	Require suppliers to update/notify central systems when data anomalies identified



**Potential additional reform options**

Option	Description
<b>Option 1</b>	New regulation/rules on use of COT flag
<b>Option 2</b>	Improved information for customers on switching process and cooling-off period
<b>Option 3</b>	Registration withdrawal process in electricity
<b>Option 4</b>	Aggregation of supply points for transfer
<b>Option 5</b>	Lock-out requirements

## “Quick Wins”

Not dependent on smart or large systems change e.g.

- Change of supplier meter reads for smart
- ET regulation
- Billing standards
- Data quality
- etc

## Longer term reforms

Dependent on smart or large systems change e.g.

- Centralising registration
- Objections
- Supply Point Nomination
- Supply Point Confirmation
- DP/DA (depending on link to settlement reform)
- etc

Further work required to determine how proposed reforms should be delivered

# Building the E2E reform scenarios

## Some reform areas have clear recommendations...

- Supply Point Nomination
- Centralising registration
- etc

## Others are more open and will drive scenario development...

- Objection timescales
- Change of supplier meter read process
- etc

# Developing the E2E scenarios and implications for Information Request

- Most detailed route is to ask for costs/benefits for each option for each reform area explored by COSEG
- However we recognise burden/ level of complexity
- Propose to ask for costs/benefits for each E2E scenario (variable components only). We will ask for estimates on how costs/benefits split by component
- We also propose to request information to support assessment of other reform options that do not vary depending on the E2E scenario examined

# Proposed E2E Scenarios

## CENTRALISED DELIVERY FOCUS

## DE-CENTRALISED DELIVERY FOCUS

1. **Reliable** transfers and **within-day** switching for **all**

Option 1a

Option 1b

2. **Reliable** transfers and **within-day** switching for **smart**

Option 2a

Option 2b

3. **Reliable** transfers and **next-day** switching for **all**

Option 3a

Option 3b

4. **Reliable** transfers and **next-day** switching for **smart**

Option 4a

Option 4b

5. **Reliable** transfers and **5 day** switching for **all**

Option 5a

Option 5b

6. **Reliable** transfers and **5 day** switching for **smart**

Option 6a

Option 6b

# Potential key E2E variables

	REGISTRATION SERVICES	OBJECTIONS	COS METER READ	CONFIRMATION WINDOW (Gas)
1. <b>Reliable</b> transfers and <b>within-day</b> switching for <b>all</b>	1a. Centralised 1b: as-is	Central objection register and/or 2 hour window	Central register of MTD and consumption for traditional/AMR	Remove
2. <b>Reliable</b> transfers and <b>within-day</b> switching for <b>smart</b>	2a. Centralised 2b: as-is	Central objection register and/or 2 hour window	No central register	Remove
3. <b>Reliable</b> transfers and <b>next-day</b> switching for <b>all</b>	3a. Centralised 3b: as-is	Central objection register and/or fixed cut off within day	Central register of MTD and consumption for traditional/AMR	Remove
4. <b>Reliable</b> transfers and <b>next-day</b> switching for <b>smart</b>	4a. Centralised 4b: as-is	Central objection register and/or fixed cut off within day	No central register	Remove
5. <b>Reliable</b> transfers and <b>5 day</b> switching for <b>all</b>	5a. Centralised 5b: as-is	2 to 3 day objection window	Central register of MTD and consumption for traditional/AMR	Reduce
6. <b>Reliable</b> transfers and <b>5 day</b> switching for <b>smart</b>	6a. Centralised 6b: as-is	2 to 3 day objection window	No central register	Reduce

# Centralisation of DP/DA services

- Currently reviewing proposals from COSEG that DP/DA should be considered as part of Ofgem's Electricity Settlement project.

Andrew Wallace

# WRAP UP



# Proposed next steps

Acton	Who	When
Review proposed E2E reform scenarios and draft information request	COSEG	9 October
Provide comments to Ofgem on draft information request	COSEG	15 October
Review approach at SMCG	SMCG	28 October
Issue information request	Ofgem	End October
Response to information request	Industry	End November

- Date and location of next meeting
- AOB

# COSEG work plan

Purpose	20/5	10/6	01/07	22/07	28/08	16/09	09/10
Initial discussion on options	Objection process	Erroneous transfers	Centralising registration services	Data ownership and governance	Change of tenancy flag	Outstanding issues	
	Confirmation window (gas only)	Data transfer and access requirements	Registration processes (inc cooling off period and gas nomination)	Access to metering data and support for metering market	Billing standards	Review of end-to-end process	
Further discussion on options and evaluation		Objection process	Erroneous transfers	Centralising registration services	Data ownership and governance	Security keys	Outstanding issues
		Confirmation window (gas only)	Data transfer and access requirements	Registration processes (inc cooling off period )	Access to metering data and support for metering market  Gas nomination	Billing standards	Review of end-to-end process  Draft info request

**Ofgem is the Office of Gas and Electricity Markets.**

**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**