

Change of Supplier Expert Group (CoSEG): Meeting 7

Draft minutes of the seventh meeting of CoSEG.	From Date and time of Meeting Location	Ofgem 9 October 10:30-15:30 Ofgem, 9 Millbank
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1. Welcome and introductions

- 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 last of the scheduled CoSEG meetings.

2. Review of minutes and actions from last meeting

- 2.1. The minutes of the last meeting on the 16 September were agreed without amendment.
- 2.2. Action 1a: Energy UK has received material from Xoserve and is liaising with members on the issue of missing reads. This action was carried forward. AW proposed that Ofgem collate all outstanding actions and circulate a summary to members.
Action: Energy UK and Ofgem
- 2.3. Action 2b: Ofgem are continuing to discuss the interaction between the new cooling off arrangements under the Consumer Rights Directive and the transfer process with BIS and DECC and will update the group once there is clarity on how this will be transposed into UK law. Following a question about likely timescales, AW advised that the requirements were expected to be transposed into UK law by mid 2014.
Action: Ofgem
- 2.4. Action 3a: Ofgem have received details of a report by the OFT and welcome other suggestions from members on sources of research on the experience of switching in other countries or sectors.
- 2.5. Action 4a: Xoserve are seeking views from GTs on when the Supply Point Nomination Process should be elective. Early indications suggest that GTs would like to retain the mandatory supply point nomination process for DM sites, and a referral process for increased capacity requirements at DM sites.
Action: Northern Gas Networks and Xoserve
- 2.6. Action 6a: Ofgem is looking at options to audit and monitor compliance with objections requirements. AW reported that Xoserve had provided data on the use of the Change of Tenancy (COT) flag. Between September 2012 and September 2013, 13.1% of transfers had a COT flag attached to it, of those, 83.2% were successful and went through as transfers.
Action: Ofgem
- 2.7 Action 7a: British Gas spoke to their proposals to improve the process for returning a customer who has been erroneously transferred. These included moving some of the ET data flows from e-mail to DTN/UK-Link and tightening the timescales on responding to escalations. In electricity, these changes are being reviewed under the MRA and once any changes are agreed they will raise a similar modification under the SPAA for gas. In the medium term they have also suggested introducing a new instruction type for an

ET in a centralised registration service to help ensure that these transfers can happen quickly (and are not objected to by the supplier to whom the customer is returning).

- 2.7. AW asked if this second proposal would be pursued now as an industry change and British Gas said they proposed this would be considered alongside the longer term reform options discussed by COSEG.

3. Presentation from Vocalink on recent reforms to change of supplier process in the banking sector

- 3.1. Peter Seymour (PS) introduced Vocalink, described as the 'national grid' for payments, which runs ATM and the BACS systems amongst other key parts of the banking infrastructure. PS gave a brief history of the evolution of the change of supplier process in banking and explained that the introduction of the 7 day switching service was prompted by the Independent Commission on Banking conclusion that competition between banks is muted by difficulties of switching between providers. He [presented slides](#) to show how the process works.
- 3.2. The Payments Council, the trade body who have responsibility for ensuring payments services work, led the reform process. This reform process began in 2010. The system used in banking is 'new supplier led', and from September 2013, takes 7 days from the point that the new account is set up. A 13 month payment redirection is set up to transfer payments from the old account to a new one.
- 3.3. The 7 day switching service has been designed with industry and is a pragmatic solution, developing some existing services and introducing new processes, rather than a complete redesign. There is still a drive for greater reform, for example, account number portability, and the new regulator established under the Banking Bill will be mandated to look at this issue.
- 3.4. PS explained that an improved switching process for Cash ISAs has also been introduced, prompted by a super complaint from Consumer Focus, utilising some of the systems and processes used by the current account sector.
- 3.5. PS highlighted a number of parallels between the banking and energy sectors and challenged the group to be ambitious in the reforms, arguing that energy now lagged behind other sectors in offering a fast, and straightforward switching service for customers. He noted that customers have to feel that there is a better choice out there, and highlighted that the introduction of the 7 day switching service was accompanied by a neutral advertising campaign by the Payments Council and marketing campaigns by the individual banks.
- 3.6. PS explained that the sector is also taking forward work to tackle financial exclusion, to ensure that everyone can access appropriate financial products. There may be parallels in the energy sector, for example, around access to different payment methods, he suggested.
- 3.7. Concluding his presentation, PS highlighted that the pressure for reform came from Government and the regulator. He argued it is important to have an industry view and consensus on what activities can be collaborative, and what are competitive. He suggested that some of the infrastructure used in banking could be used in energy switching.
- 3.8. PS invited questions. One member asked about the existence and rate of erroneous transfers under the 7 day switching system. PS was unaware of erroneous transfers, given the level of checking that banks had to undertake for fraud prevention, but noted there had been an 11% failure rate to meet the 7 day switching target due to data discrepancies. The onus is on banks to 'know your customer', and the 'new supplier

led' system incentivises the gaining bank to get this right. Deliberate switching without a customer's consent would be considered fraud and separate rules and responsibilities exist to tackle this.

- 3.9. PS was also asked about cooling off arrangements, and AW agreed to explore any energy parallels with BIS. One member noted that cooling off arrangements cover the earlier stage of setting up a new account, which takes place before the 7 day switching process is initiated.
- 3.10. Another member asked about the rules on switching whilst the customer had a debt. PS explained this was covered by the contract between the new bank and the new customer, and agreed at that stage.
- 3.11. One member asked for PS's views on the balance between technical and systems constraints and ambition, and he agreed that systems can be designed and put in place if the ambition exists.
- 3.12. Drawing parallels to gas and electricity theft, PS was asked how the bank account switching process tackles money laundering. He said that the onus is on banks to 'know your customer' and there are anti-money laundering rules, backed by a compliance regime, to tackle this issue.
- 3.13. AW thanked Vocalink for its presentation, and noted that the slides would be available on Ofgem's website.

4. Scope of a Centralised Registration Service

- 4.1. Robyn Daniell (RD) presented a straw man representation of the areas that Ofgem consider could be in the scope of a centralised registration service.
- 4.2. Members suggested a number of amendments to the straw man:
 - In gas, rather than listing SCOGES alongside ECOES, the Data Enquiries Service should be used as the scope of this service is wider and a closer equivalent to ECOES.
 - As well as network billing data, DNOs, Xoserve, and by proxy GDNs, need access to all registration data to enable smart grids and to deliver their customer service roles.
 - The diagram should refer to GTs instead of Xoserve as they are the equivalent to DNOs on the electricity side and Xoserve are not governed by the UNC.
 - The Green Deal Central Charge database should be added under the MRA to show this linkage and flag that how this interacts with a centralised registration system would need to be considered. The FiTs database could also be included to show the interaction; the FiTs database needs to access MPAN information to validate a site's eligibility for FiTs payments.
 - On the diagram presented, the group suggested that the settlement bubble under electricity should also be replicated for gas. One member repeated concerns about the MTD sitting under the central body and questioned what incentive it would have to maintain an accurate record. AW suggested that this was a question of governance that should be explored. It was also agreed that all MPAS data should be included in the scope of a centralised system, with the potential for this to be removed from the scope at a later date if it is not required.
- 4.3. It was also suggested that the MRA was a useful source to consider which functions should be taken on by the centralised service, as it lists what roles are currently undertaken by DNOs and MPAS. The attendee suggested that the roles currently

undertaken by MPAS could be shifted to the central registration service. AW agreed and proposed that Ofgem do a cross check with the items in the MRA.

- 4.4. One member was concerned about the extent of centralisation, as Xoserve will still need data currently provided by supply point activities for settlements and other functions. AW said that the assumption was that consumption data required to attribute settlement volumes would still be held by Xoserve. If MTD was centralised then Xoserve would require access to this data to allow it to perform its settlement functions.
- 4.5. One member noted that further thinking was required on how gas shippers would get the information that they required from the central registration service.
- 4.6. RD explained that the yellow box on the presentation showed functions that could be added to the centralised service at a later date such as meter agent ID, auxiliary load switch details and AMR data access details.
- 4.7. RD invited views on whether MTD should be held centrally. A number of members suggested that MTD should be held centrally, and that the DCC inventory should be the master record. However, another member noted that this could introduce hand-offs that do not currently exist for access to the data by Xoserve for settlement.
- 4.8. AW pressed for a position on where the MTD should sit to inform the questions asked in the proposed Request for Information (RFI). It was agreed that for the purposes of the RFI, as a high level design principle, MTD for all meters should be held centrally to test the costs and implications of this approach. One member noted that it was important to establish one place for all MTD, and not to introduce a new location for smart meters which was different to non-smart.
- 4.9. In relation to a question on whether the call centre service for emergencies could also be centralised, it was confirmed that Xoserve have a dedicated number for a customer to call in the case of an emergency compared to other enquiries on MPAN details. In electricity, DNOs operate different arrangements but it was felt that a centralised "switching call centre" for providing meter details could be provided centrally if this did not interfere with emergency arrangements.
- 4.10. As a high level design principle it was agreed that suppliers should be able to seek the required change of supplier data items from the same centralised body for gas and electricity.
- 4.11. AW thanked members for their comments and said that Ofgem would update the diagram and circulate to the group. [Note: An updated diagram has now been included in the presentation materials on the Ofgem website.]

Action: Ofgem

5. Update on metering reforms

- 5.1. AW explained that, the previous week, Ofgem had an informal follow-up discussion with several companies on the metering reforms discussed during the CoSEG meetings. The intention of this follow-up was to clarify outstanding issues around AMR and traditional meters and the range of policy options available for addressing them, ahead of the final CoSEG.
- 5.2. Based on the outcomes of this discussion, Rachel Hay (RH) presented a summary of current views on removing the data dependencies for different meter types.

- 5.3. Moving on to recap the CoSEG-favoured reform option for electricity smart meters, RH sought confirmation from the group that under this reform option, agent appointment could be decoupled from CoS process for smart meters. It was noted that the central registration system always has a Data Aggregator (DA) appointed for a metering point at any one time, and regardless of the contractual relationships a DA may have with a supplier in relation to that meter point, the DA on the registration system is the relevant DA. The group agreed that under the reform option, the CoS itself would not be contingent on the change of DA, although there would be a wish on the new supplier's behalf to appoint a new DA before the first read is sent into settlement following CoS.
- 5.4. RH summarised the outputs of the informal discussion on reform options for AMR and traditional meters. RH explained that both AMR and traditional meters are currently subject to dependencies on MTD and meter read history on CoS, and that in addition, AMR meters are subject to dependencies on exchange of access passwords at CoS. The informal discussion suggested that the best means of addressing the first two dependencies (unless P272 is approved), would be holding the necessary data on a central database for agents to access on CoS. RH explained that there are a number of options for alleviating the dependency on access passwords:
- All AMR meters to use a common comms provider
 - Central portal for access to comms providers
 - The central database could hold details of the comms provider associated with a meter point
- 5.5. There was a discussion about incorporating a database function into the DCC business processes from the outset. One member commented that there will be constraints in the proposed security architecture which would need to be addressed. One member also highlighted that these requirements have not been included in the DCC contract for 'day one' of operation.
- 5.6. It was suggested that the DCC could be asked to deliver these CoS roles from 'day one', rather than industry seeking to amend DCC systems once they are established. However, it was noted that this would be a decision for DECC. The metering subgroup will consider this further to examine how these requirements could be incorporated in the DCC arrangements.
- 5.7. RH explained that further thinking would need to be done to understand CoSEG's preferences for removing the dependencies for traditional and AMR customers and that Ofgem was keen to form a more formal metering sub-group, involving interested parties, to do this.
- 5.8. RH talked through the proposed next steps for removing the agent dependencies across the full range of metering types.
- 5.9. For gas smart, AMR, DM and traditional meter types, it is proposed that the metering and meter read requirements will be included within the scope of the proposed new gas performance assurance framework under the UNC (or any subsequent relevant industry code).
- 5.10. For smart electricity meters, it is proposed reforms to remove the dependencies would be led by industry following a clear high-level direction from Ofgem.
- 5.11. For AMR and traditional electricity meters, further thinking is needed to understand how dependencies could best be tackled. Ofgem are seeking names to join the subgroup noted above to discuss this. One member highlighted that there are existing

issues with interoperability on CoS for these meter types and that Elexon are taking forward work under Issue 46 to address this. However, it was noted that Elexon are looking at existing flows to transfer security details between MOPs because of concerns they are not being sent, and that this group has not explored reforms wider than this and is not touching on the removal of data dependencies. Ofgem committed to keeping up to date on discussions in this area.

6. Summary of reform areas (and discussion on reform timing)

- 6.1. AW introduced the summary of reform areas paper and proposed the group go through the reform areas one by one, focussing particularly on the delivery options and outstanding issues. He stressed that the summary paper was a draft to inform the discussion, and said that it would be updated and circulated following the meeting.

Supply Point Nomination

- 6.2. On the question of whether the SPN process should form part of a new centralised registration service, one member argued that it would be preferable, but not essential, to keep this with the Gas Transporter's agent. Another member stressed that it was important that this information was available in one place. Views were sought from Independent Gas Transporters on this and the threshold for making the SPN process elective rather than mandatory.

Action: AiGT

- 6.3. One member highlighted previous discussions about exploring if the information generated by the SPN process in gas could be replicated in electricity, to remove any advantage that the incumbent supplier may have by access to this information. It was suggested that this could be incorporated in the any redesigned central enquiry service.

Timing of reforms

- 6.4. One member prompted a discussion on the indicative timescales for the reform areas, noting that the paper suggested a number of the areas would not be implemented until 2018. AW stressed that the timescales are indicative, and that for the reforms that are linked to the implementation of a centralised registration service. The early indicative timescale was 2018, allowing time for the required changes to be implemented once the DCC is operational. The 'quick wins' that could be taken forward before then could make significant improvements to the reliability of the process. Significant gains on speed were suggested to be linked to the centralised registration service, although Ofgem were keen to test this assumption as part of its formal consultation and impact assessment.
- 6.5. Another member asked if the RFI would seek information on the costs of implementing a faster service earlier than 2018 and argued that this was important to test the costs and benefits of different timescales. AW said that this was the case. Another member suggested a timeline of the required changes and their dependencies would be useful.
- 6.6. AW said that the three identified options for taking forward reform are for industry to take this forward independently, for Government to mandate changes through legislation, or for Ofgem to trigger these reforms through the Significant Code Review (SCR) process. He suggested testing the indicative timescales with the Smarter Markets Coordination Group at the end of October, including the indicative timeline and mapping out the implications of the SCR route. He also noted that the key issue, which will be explored in the Impact Assessment, is the cost of implementing a faster process via a centralised system versus introducing reforms earlier without benefitting from the efficiencies of an existing centralised registration service.

Action: Ofgem

- 6.7. One member stressed that the certainty of the timing of a transfer is also important for consumers, and that if the process cannot be speeded up more immediately, work should be taken forward to deliver more certainty for consumers about the timescales involved in the CoS process.

Objections: Process

- 6.8. It was agreed that option 3c should test a two day minimum option.
- 6.9. One member asked if the objective is to deliver the same process for domestic and non-domestic consumers, and suggested that this may result in domestic consumers' standards/timelines being affected by requirements for non-domestic customers. AW clarified that the ambition is for the timeframes to be the same where possible, but that there may need to be some differences, for example in the Change of Tenancy arrangements. Members suggested that the RFI should seek views on the process and required timescales for domestic and non-domestic customers separately so it was clear when processes were driven by arrangements that were necessarily more complex or time consuming because of the customer type.
- 6.10. One member suggested it was important to remember that some domestic consumers may be signed up to a non-domestic contract (in a housing association for example). AW noted how these customers should be treated would be defined by the licence and clarity could be provided by these arrangements.
- 6.11. One supplier informed the group that they are considering bringing forward a Change Proposal now to remove the 5 day electricity objections resolution period. Another member noted that there was work under the MRA to cut this period down by 3 days.

Confirmation window

- 6.12. The proposed options are to remove or reduce the confirmation window, and AW sought views on what different length of confirmation windows should be tested through the RFI and consultation. One member argued that as a shipper, as they trade a day ahead, they would be comfortable with a significant reduction in the confirmation window. However, a number of members commented that this may have implications for smaller suppliers and shippers gaining or losing large customers as they would not have the same certainty about when a transfer takes place.
- 6.13. It was agreed that the RFI should test three options, removing the window, and reducing to D-1 and D-2. Ofgem also agreed to do some further thinking on the implications of removing the confirmation window completely.

Action: Ofgem

- 6.14. Following discussion about the requirements for different types of customers, it was reiterated that the ambition of the project is to deliver a system that deliver benefits for all consumers, with different processes if they are required for different types of customer, for example larger non-domestic sites. The summary paper will be updated to reflect this.

Operation of the metering market

- 6.15. It was agreed that the proposed reforms on metering agent access to data and recording of information on the customer appointment of meter agents would be most appropriately taken forward by industry.

Centralised registration services

- 6.16. Ofgem has undertaken some work to consider how shippers could access the data that they need to support settlement obligations from a centralised registration service. Ofgem will write this up and circulate for comment.

Action: Ofgem

Billing standards

- 6.17. AW invited comments on how the industry would take forward proposed reforms to billing standards in the domestic and non-domestic market. ICOS will consider this at its meeting on 10 October. Energy UK noted that it proposes to take forward this reform area. SSE noted that it will continue to provide its own billing charter separate to the Energy UK policy. It was agreed that industry would consider how to develop and implement an energy switching guarantee/charter based on the current switching process, and how this should be promoted to consumers.

Data quality

- 6.18. AW noted that a modification proposal for GTs to populate the UPRN has already been raised by E.ON which would deliver option 1.
- 6.19. SSE is looking to raising a change in electricity to require DNOs to provide information to suppliers on their actions following a request to update address details. Xoserve noted Ofgem's request to expedite its review of data items used under the UNC so that questions of data item governance could be assessed.

Customer information

- 6.20. There was a discussion about how the initiatives on consumer information should be taken forward. It was agreed that Energy UK would consider how to take forward work to establish a common set of switching standards across industry. Once this is agreed, work would then be undertaken to consider how to promote this to consumers. This could then be refreshed and relaunched once a new CoS process is established.

Action: Energy UK

Additional reform areas – lock-out requirements

- 6.21. One member suggested that in electricity these requirements could be removed now from a systems perspective if concerns could be addressed on settlement and fraud.

7. Review of draft Request for Information (RFI)

- 7.1. AW introduced the approach to the Ofgem's RFI. Ofgem is seeking views on it before sending out for completion. He agreed to set up a page turn of the documents with industry to review the detail.
- 7.2. On the question of who should be sent the RFI, it was agreed that as it is an informal information request, all suppliers should be invited to respond. Members suggested that providing opportunities to engage with Ofgem during the response period would be valuable, and Ofgem agreed to include time for further discussions and meetings to provide any clarity requested by respondents.
- 7.3. It was agreed that MRASCO would be invited to respond.
- 7.4. Members commented that seeking data on expected costs over a ten-year period may result in repetitive answers, as they would find it difficult to predict costs under this approach. It was agreed that the RFI be amended to ask for opex costs of reforms for 2018/19 only with a comment box to invite respondents to suggest how this per annum figure may change over the following 10 years.

- 7.5. Members requested 6 weeks to complete the RFI, rather than the proposed 4 weeks. Ofgem agreed to look at the proposed timescales and consider if the period could be extended, while noting that Ofgem have provided advance warning and sight of the draft request to help respondents prepare for its completion.

8. Potential barriers to within-day switching

- 8.1. AW presented a slide and invited views from COSEG on the potential barriers to within-day switching. On the gas allocation process, members noted that this was not an insurmountable barrier but would require a new process of profiling gas allocations between shippers within a settlement period.
- 8.2. One member noted that the consumer research did not identify an appetite for within-day transfers, and suggested that resources should be not directed to this until other reforms are progressed.

9. Wrap up and AOB

- 9.1. AW thanked attendees for their contributions to the work of COSEG. While this was the last scheduled meeting of the group, he would seek to bring members together for ad-hoc meetings if a specific need arose. The consultation on reforms is due to be published in March 2014.

DRAFT

10. Summary of actions

	Action	Responsible	Due by/Status
1	COS data		
	a) Examine missing reads data to understand why opening and closing meter reads are being reported as missing 20 working days after the transfer date in the gas market.	Xoserve and Energy UK	Carried forward
2	Reform options: Cooling-off period		
	a) 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 returned to their previous supplier under the same terms and conditions, if they change their mind during the cooling off period.	Ofgem	Carried forward
3	Gas Supply Point Nominations		
	a) Provide information on which category of supply points Gas Transporters would require the Supply Point Nomination process to be mandatory.	Northern Gas Networks & Xoserve	Carried forward
	b) Confirm views of Independent Gas Transporters on making SPN process elective for some LSP customers.	AiGT	Post COSEG 7
4	Objections		
	a) Consider range of options for auditing and monitoring use of objections, including use of Change of Tenancy flag.	Ofgem	Carried forward
5	Centralising registration services – scope of reform		
	a) Update strawman on scope of centralised registration service and circulate	Ofgem	Post COSEG 7
6	Timing of reforms		
	a) Discuss indicative timescales for introducing reforms focussed on speeding up the Change of Supplier process with the Smarter Markets Coordination Group (SMCG) on 28 October.	Ofgem	Post COSEG 7
7	Confirmation window		
	a) Consider further the implications of removing the confirmation window completely	Ofgem	Post COSEG 7
8	Request for Information (RFI)		
	a) Consider request to extend the timescale for completing the RFI from 4 weeks to 6 weeks.	Ofgem	Before RFI sent out
	b) Amend RFI structure to ask for opex costs of reforms for 2018/19 only with a comment box	Ofgem	Before RFI sent out

	to invite respondents to suggest how this per annum figure may change over the next 10 years.		
9	Shipper access to data from a centralised registration service		
	a) Ofgem to circulate initial views on how shippers could access the data that they need to support settlement obligations from a centralised registration service.	Ofgem	Post COSEG 7
10	Customer information		
	a) Consider how to develop and implement an energy switching guarantee/charter based on the current switching process. Consider how this should be promoted to consumers.	Energy UK	Post COSEG 7
11	Outstanding actions		
	a) Ofgem to collate information from outstanding actions and circulate to COSEG members.	Ofgem	Post COSEG 7

