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Haven Power Limited
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Dear Mr Amos,

Re: Balancing and Settlement Code Modification Proposal 272 – draft impact assessment

Haven Power Ltd (Haven) is an independent non-domestic electricity supplier that has been supplying Small Medium Enterprises since 2007. In 2009, we entered the Industrial & Commercial (I&C) sector and have been steadily growing our customer base in both areas. A significant section of our customer base is settled under profile classes 5-8 and would be affected by this proposed change.

We are concerned that assumptions are being made that do not appear to be borne out by studies in other areas. We have not seen any indication that knowledge of Demand Side Response and the ability to capitalise on this has any relation to a business's profile class. Also, the possibility that some business sectors may be dependent on technological advancements in other areas does not appear to have been considered.

We agree with the impact assessment that there are likely to be many customers who are unable to shift their load profile. In our experience many of the affected customers are Micro Businesses and they have little knowledge of settlement or the subsequent benefits that may materialise at a later stage. Many of these customers have already suffered from large price increases following the adoption of the CDCM (Common Distribution Charging Methodology) and now want to see a reduction in costs.

Supplier expertise and data quality

Suppliers - especially small independent suppliers – are unlikely to have a sufficient level of expertise to effectively aid their customers with Demand Side Response, given that knowledge of customer's energy usage will only be one factor in aiding them in any demand side reduction programme. Even the largest suppliers may struggle to properly understand the range of options available to customers and there is a risk of customer confusion if this is done poorly.

Introducing this modification will require a mass change of measurement class, which has not been attempted before and is an unknown quantity. The potential for data issues, which will in turn have an impact on settlement accuracy is significant, and has not been adequately considered. In addition, we can expect significant knock on impacts to the Grid Supply Point Group Correction Factors and this could increase costs for other customers in unexpected ways. We are not aware of any attempt to assess the impact of this and to evaluate its effects; we feel that this needs to be examined further before any decision is made.

We also think that the projected savings that suppliers can make with regard to data quality are based on the idea that these teams are much bigger than they are; there does not appear to have been any information sought to check these assumptions prior to this consultation.

AMR rollout

The high potential for erosion of trust and confidence that this change would bring to the AMR rollout and as a consequence, the smart metering programme has not been considered. When organising meter exchanges with our customers we have sold the concept to the customer on two foundations, accuracy of the data, and no additional cost to them. These are two key benefits (which we have so far delivered) that the majority of suppliers have used when encouraging their customers to take advantage of remotely read meters. Despite our efforts we have still had a small number of customer refusals.

Less than a year after these meters are installed we will then be informing our customers that after a mandatory change of measurement class they will now be required to pay for a half hourly meter operator contract, data collector and aggregator charges, potentially more expensive network charges including the return of the unpopular Availability Charge (which was removed from NHH meter points under CDCM); and if they have an AMR meter with no signal, a telephone line. (In cases where a phone line is not possible hand held readings will be necessary, which is an even greater expense).

Suppliers will not be in a position to absorb these charges and will need to pass these on to customers. We understand that Ofgem expect 'continuity of DUoS charges' across this customer group but simple inspection of DNO's charging statements shows that many customers will face significant increased costs as a result of this change. It is unlikely that the required changes could be made and implemented to DUoS tariffs before April 2015.

This will coincide with the Central Delivery Body using similar (albeit more developed) messages to those that were used for AMR installation to encourage the smart meter rollout. The potential for this to backfire and result in an increase in installation refusals and adverse press is significant. Loading on cost to the end customer is never welcome; to do so at a time when the need for customer engagement is at its peak is extremely unwise. This could damage the mainstream roll out of smart meters.

Change of measurement class

There are sites where significant works need to be undertaken to enable a meter exchange to take place and we need to work with the customer to enable this to happen. Customer cooperation is unlikely to be forthcoming when doing so will mean greater cost on top of the inconvenience. There is also the issue that early adopters of AMR may need a further meter exchange as some meter makes are not accredited for half hourly use – which is also unlikely to happen when it means more expense to the customer. This will leave suppliers in the position where they either take drastic measures, such as applying for warrants, with the high likelihood that the customer will pay not the additional costs and may fall in to debt. It is hard to see how this can coexist with electricity supply licence condition 7B on customer objectives and standards of conduct and the duty of fairness suppliers must show their customers.

This is borne out by our experience with the current mandatory change of settlement class process. We have a core of non-half hourly meters that should make the switch to half hourly, but the customer has refused to allow this to take place. Some of these have been outstanding for a number of years, but the customer would rather pay the fine levied by ELEXON (which after a period we pass through to them) than the increase in costs associated with the move to half hourly.

There are lessons to be learned from the mandatory change of settlement class process and the problems that suppliers encounter and we feel it would be beneficial to do so before trying to enforce this change.

Agent Contracts

Where the installation of an AMR meter is supplier led, the majority of our customers do not have a meter operator or data collector contract direct with an agent. We hold these contracts on their behalf and the charges are either incorporated in to their energy contract or in very limited circumstances we absorb them. In our experience from the mandatory change of measurement class process we have found that even when we arrange the contract on the customer's behalf there is resistance.

Where the installation is customer led there may be agent contracts in place, but in most cases we will not be aware of the contents and therefore cannot comment on whether this change would mean that these customers incur any termination costs.

However, not all agents are accredited in both the HH and NHH markets and P272 would mean not only a change of contract, but also a change of agent in some circumstances. Given that many of the agents engaged to do the installation projects for profile 5-8 meters would have priced on the assumption they would retain a section of these meters for a period of time it is unlikely that any applicable termination fees would be waived. It has been mentioned that this may encourage NHH accredited agents to enter the HH market, but given the time and expense that the accreditation process requires this is unlikely to happen quickly, if it happens at all.

Whilst it is a possibility that half hourly agents may reduce their costs in the face of a larger pool of prospective customers; it is equally likely that they will not (especially if a significant investment in IT systems is required) - given that these customers will have to use them as the change is mandatory.

Implementation

The proposed implementation date of April 2015 will coincide with the start of the smart meter rollout and is only a few months before the current implementation deadline for the DCC (September 2015). This will be a time of unprecedented system changes; suppliers have work programmes booked far in advance of this to ensure that their systems are ready to cope with the new processes and security requirements, as well as the increase in data traffic. Proposing an April 2015 implementation date means that suppliers and agents have too a short window to incorporate this change into an already full timetable – which has already been squeezed by RMR requirements. Suppliers will either be forced to leave off a scheduled improvement or, where possible, schedule this as an additional change incurring significant costs and risks in order to do so.

The proposal has not considered the impact on suppliers systems of the huge increase in HH settled meters. The quantities of HH data involved dwarf the existing NHH equivalent. Suppliers would have to make large investments in their IT capability to handle this increased data and the costs of this would ultimately be met by customers.

In some cases implementation in this timescale will simply not be possible given the knock on effects into system capacity and the potential cash flow problems if systems are unable to bill because of the volume of data. We would remind Ofgem of the difficulties caused by the late adoption of competition in metering in 1994 where the whole industry was affected by process issues and it took over two years to resolve. These days there is a real possibility of supplier failure under similar circumstances.

We are already dealing with an unprecedented level of change across virtually all aspects of the industry from electricity market reform (CfDs and capacity market) through to smart metering. This is an optional change and not one that has to be initiated. Many of the complimentary work streams such as the Demand Side Response project and the work on settlement reform will not have finalised their investigations. You have not considered the overall impact of the total change burden on

suppliers and the effects that yet another change could have on this and ultimately customers. This could be the straw that breaks the camel's back.

Whilst we strongly support the overall aim of long term settlement reform there are detrimental impacts of implementing this change at this time that have not been adequately considered The risk of undermining customer trust in smart metering at such a critical stage needs to be considered in greater detail as do the risks of serious adverse impacts to the end customer who picks up the bill.

Yours sincerely

Sent by email.

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