

Modification proposal:	Independent Gas Transporters Uniform Network Code (iGT UNC): Supply Point registration – facilitation of faster switching (iGT059)		
Decision:	The Authority ¹ directs this proposal be made ²		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	30 April 2014	Implementation date:	7 November 2014

Background to the modification proposal

Consumer switching is at the heart of the competitive energy supply market. By switching supplier, consumers can both individually realise cost savings and exert competitive pressure on the market. This competitive pressure will, for instance, keep prices lower than they would otherwise be, improve customer service standards and drive innovation.

However, many consumers find the transfer process to be a source of frustration and confusion. Around 80% of gas transfers currently take longer than five weeks, with many transfers being abandoned or failing to complete. Improving the change of supplier process is a key part of Ofgem’s smarter markets strategy.

In 2013, Ofgem established the Change of Supplier Expert Group (COSEG)³ to inform our work to deliver a fast, reliable and cost-effective transfer process. One of COSEG’s recommendations was to reduce the period between the objection window⁴ closing and the effective transfer date. This period, generally referred to as the confirmation window currently adds a minimum of seven further working days to the transfer process.

The modification proposal

Responding to the recent challenge for the energy industry to speed up the switching process, Energy UK⁵ has, on behalf of its members, committed to halve the switching period by the winter of 2014. This would ensure that a consumer transfer is completed within three working days after the two week cooling off period⁶.

In order to meet this commitment, several proposals have been put forward to streamline the transfer procedures set out in both gas and electricity industry codes. One of these is iGT059 which proposes to reduce the confirmation window from seven working days to two. This would align the iGT UNC with the customer transfer timescales and business rules proposed for the UNC under UNC477⁷.

However, whereas UNC477 will rely upon Xoserve sending meter technical details within a ‘K14’ file, there is currently no equivalent under the iGT UNC and iGT059 does not seek to create one. The transfer process would therefore continue to rely upon existing data transfer arrangements.

¹ The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ The COSEG summary of findings is published at: www.ofgem.gov.uk/ofgem-publications/84903/cosegsummary.pdf

⁴ The objection window is the period in which an existing supplier is entitled to object to a consumer’s request to transfer to a new supplier when permitted under the terms of its licence, such as an outstanding debt.

⁵ Energy UK is a trade association that represents the majority of UK energy suppliers: www.energy-uk.org.uk

⁶ Under the EU Directive on Consumer Rights (2011/83/EC), which comes into effect 13 June 2014, consumers will have 14 calendar days to change their mind on a purchase, including an energy contract.

⁷ UNC 477: ‘Supply Point registration – facilitation of faster switching’

iGT UNC Panel⁸ recommendation

At its meeting of 16 April 2014, the iGT UNC Panel voted unanimously to recommend the implementation of iGT059.

The iGT UNC Panel also agreed unanimously that, in the event of an Authority decision to accept iGT059, the implementation date would be 7 November 2014 in order to align it with the anticipated implementation date of UNC477.

The Authority's decision

The Authority has considered its statutory duties and functions in reaching its decision. The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 22 April 2014. The Authority has also considered and taken into account the responses to Gemserv's consultation on the modification proposals which are attached to the FMR⁹. The Authority has concluded that:

1. implementation of iGT059 will better facilitate the achievement of the relevant objectives of the iGT UNC¹⁰; and
2. directing that iGT059 be made is consistent with the Authority's principal objective and statutory duties¹¹.

Reasons for the Authority's decision

We note that iGT059 received support from all six (not four, as stated in the FMR) of the respondents to Gemserv's consultation. Each of those respondents, together with the proposer and the iGT UNC Panel focused on the potential impacts of iGT059 upon effective competition. We agree that iGT059 should be assessed against relevant objective d) and that it would have a neutral impact upon the other relevant objectives.

Relevant Objective d) – the securing of effective competition between relevant shippers and suppliers.

As the recent State of the Market Assessment¹² identified, the unreliability and speed of the switching process is inhibiting competition and is creating barriers to entry and expansion. Last December, we set out a road map for incrementally improving the change of supplier process¹³.

This modification, and others raised as part of Energy UK's work, will cut the switching time in half by the end of 2014. This should increase levels of consumer engagement and as such promote competition between shippers and suppliers, drive improvements to service standards and support innovation. Improving the switching experience will play a fundamental role in improving the operation of the retail market.

The iGT059 FMR does not contain a specific cost benefit assessment, but refers to the analysis undertaken as part of UNC477, adding that those benefits apply to the industry

⁸ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules.

⁹ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

¹⁰ As set out in Standard Condition 9 Gas Transporters Licence, see: <http://epr.ofgem.gov.uk/index.php?pk=folder414978>

¹¹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

¹² www.ofgem.gov.uk/ofgem-publications/86804/assessmentdocumentpublished.pdf

¹³ www.ofgem.gov.uk/ofgem-publications/85203/openletteronpotentialreformstothechangeofsuppliermeterreadprocessforsmartgasmeters.pdf

as a whole. It also states that iGT059 will help facilitate the delivery of those broader benefits, enabling a common set of processes to be introduced industry-wide.

We have today published our decision to direct the implementation of UNC477. In that decision we note the overall benefits of improving the change of supplier process will be far greater than the narrow approach taken by the workgroup but that for the purposes of assessing the costs of implementing the reforms ahead of the implementation of Project Nexus the assumptions used by the Panel were reasonable.

Unlike UNC477, there are no central systems costs associated with the implementation of iGT059. As was the case in relation to UNC477, supplier respondents to the industry consultation on iGT059 were silent on the costs of modifying their own internal systems.

Data transfer

One respondent expressed disappointment that owing to the likely inability of two iGTs to meet the intended Service Level Agreements (SLAs) for the transfer of files between parties, they had not been included within the modification. Another suggested that consideration should be given to the manual processes that some iGTs have for Supply Point registration, noting that those processes would need to be improved if they are not to inhibit the effectiveness of the transfer process.

We consider that all customers should have the right to expect the same high standards of service irrespective of which network they happen to be connected to. We therefore expect parties to ensure processes for supply point registration, including manual processes, are fit for purpose. We also share the disappointment that two iGTs are already suggesting that they will not be able to meet the SLAs required in order to facilitate a two and a half week transfer. Although we note that these iGTs account for a small proportion of connected Supply Points, it nonetheless undermines the consistent standards that suppliers are trying to achieve and that customers are coming to expect. We therefore expect those parties to make all reasonable endeavours to ready themselves for the implementation of iGT059 and transfer the necessary data in a timely manner.

Implementation

We note that the implementation date for iGT059 is targeted as 7 November 2014 in order to coincide with the anticipated implementation date of UNC477. This date was discussed at the UK Link committee meeting of 10 April 2014 and no objections were raised. Although no changes are required to central systems in order to implement iGT059, we recognise that changes will be required to shippers and suppliers own systems. We therefore agree that it is practical to align the two implementation dates in order that they can be met in the most efficient manner.

Conclusion

As set out above, iGT059 is one of a number of changes across the gas and electricity industry codes which will halve switching times from around five weeks, to just over two. In addition to UNC477 mentioned above, we have today also published our decision to consent to changes to the electricity Master Registration Agreement¹⁴.

Improving the change of supplier process is a core element of our strategy to create smarter markets which are more efficient, dynamic and competitive.

¹⁴ MRA CP 210: 'Allowing registration to start in the cooling off period' and MRA CP 211: 'New clauses to Section 15 of the MRA to allow a registration to be withdrawn' being made.

As we set out in our change of supplier roadmap in December last year, these modifications to half the switching time are an important intermediate step on the path to reliable next day switching. We will be consulting on further proposals next month.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters' Licence, the Authority hereby directs that modification proposal iGT059: '*Supply Point registration – facilitation of faster switching*' be made.

Rob Church

Associate Partner, Smart Metering and Smarter Markets

Signed on behalf of the Authority and authorised for that purpose.