

Smarter Markets - Consumer Empowerment and Protection

Smart billing interactions with CoS meter read reforms
stakeholder meeting

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Note: these slides are for discussion purposes only

Context

Change of Supplier meter read reforms

Clear customer billing: smart meters

Wrap-up and next steps

A meter read must be obtained or derived for every Change of Supplier (CoS) event, to close the account with the old supplier and open the account with the new supplier. The process by which this is obtained is called the 'change of supplier meter read process'.

- Analysis showed that reforms to the process are necessary to:
 - a) Support our ambitions for **next day switching**
 - b) Improve the **efficiency** of the CoS process overall and make the most of the capabilities provided by **smart meters**
- **Reforms particularly valuable in electricity** where current process involves numerous data flows and dependencies on agents/competitors
- **Reforms also valuable in gas** to align consumer outcomes with electricity, and to reduce dependencies where possible

Objective of the reforms

Focus of today's discussion

Objective of the reforms

to improve the efficiency of the COS meter read process in the context of smart meters and align outcomes for consumers when switching either fuel

- A range of factors are relevant to this objective e.g;
 - the efficiency of the process in generating reads for settlement
 - the efficiency of the process in generating reads for billing
 - the extent to which parties are dependent on competitors/agents
 - improvements in consumer experience facilitated by the reforms
 - any risks associated with the reforms

The focus of today's discussion will be on the billing aspects only. Parties are encouraged to respond to the workgroup consultations to provide views on the wider range of impacts of the reforms.

Change of Supplier meter read reforms

Reform options

| | Timing of CoS read | Read obtained by | NOSI | Checks | Customers see tariff change on meter | Alignment of CoS read and tariff change |
|------------------------|---|--|---|---|--|---|
| Electricity: Proposed | Midnight on SSD | Each supplier independently | Old supplier checks SSD midnight read and sends on NOSI to new supplier <i>(within 1WD of retrieving read and by SSD+3 at latest, with first attempt to retrieve on SSD)</i> | New supplier checks their read against NOSI and raises dispute if there is a discrepancy <i>(within 1WD of receiving NOSI)</i> | Should be as soon as possible after midnight | No - read taken before tariff change |
| Gas: Option 1 | | | | | Should be as soon as possible after 6am | |
| Electricity: Alternate | At point reconfiguration/tariff change is applied | New supplier and shared with old supplier <i>(within 1WD of retrieving read, with first attempt to retrieve on SSD)</i> | | Old/new supplier check reads and raise dispute in the event of a discrepancy | Should be as soon as possible after midnight | Yes - read taken when tariff change applied |
| Gas: Option 2 | | | | | Should be as soon as possible after 6am | |

NB. 'SSD' refers to the supplier start date, the date at which the customer transfers to their new supplier

Billing accuracy

*For many participants... the **accuracy of the transfer is the most important issue** during the CoS process.*

*Most felt that **problems with billing (e.g. inaccurate billing) would potentially deter them from switching in future**. This is because participants said they would be fearful of engaging in a process **that could potentially leave them worse off**.*

Billing speed

*The **timing of final bills was a significant worry for some**. Specifically, they were concerned about being sent a final bill from their old supplier just as the Direct Debit started for the new one. They were worried that this would result in a particularly high energy bill in the first month which they feared might be unmanageable.*

Source: Ipsos MORI, 'Ofgem Consumer First Panel – research to inform Ofgem's review of the change of supplier process', 9/08/13

Change of Supplier meter read reforms

Impacts on billing accuracy and speed

Neither supplier dependent on other,
therefore billing possible from SSD

Creates risk of
double billing?

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Each supplier bills only against consumption recorded on their respective meter configurations

Old supplier dependent on new supplier, closing bill could be SSD+1 or SSD+2 at earliest

Providing meter reads pass supplier checks, bill can be issued without waiting on DC/Xoserve validation

- The change of supplier meter read process should support timely and accurate billing
- Consumers should not suffer any detriment (of any magnitude) from double-billing

Q: Do you agree with these principles?

Change of Supplier meter read reforms

Double billing risks – Proposed/Option 1

Mitigating factors

Anticipated that CoS reads collected from smart meters are likely to be accurate in all but exceptional circumstances

Process included to identify discrepancies:

- Losing supplier sends read on NOSI to gaining supplier
- Gaining supplier checks the NOSI read against the read they have obtained from the meter
- Gaining supplier must raise a dispute where discrepancy is identified

Risks

CoS reads could be wrong in event of e.g.

- Error made by either supplier in interrogating registers
- Data corrupted during upload from the meter
- Meter malfunction affecting only one supplier?
- Any others?

Where these processes to identify discrepancies are not followed, or followed quickly enough, double billing could occur

Q: Do you consider risks to be material/prohibitive?

Q: How do risks compare to current arrangements (as they will apply to CoS where the meter is serviced by the DCC)?

Q: Are there any further steps we could take to mitigate risks under these options?

Change of Supplier meter read reforms

Billing speed impacts – Alternate/Option 2

Mitigating factors

New supplier should first attempt to obtain the read on SSD, and send it onto the old supplier within 1WD of retrieving it

DCC Service Levels associated with the communications with smart meters require 99.0% (minimum) to 99.9% (target) availability. As such, the SSD midnight read should almost always be accessible on SSD

Stakeholder suggestion that, where a customer values very fast billing highly enough, old supplier could choose to bill immediately on the midnight reading, taking a view subsequently on whether to bill for the consumption in between the midnight read and the reconfiguration read (subject to back billing rules)

Risks

Where new supplier adheres to process timelines, the old supplier should be in a position to send a bill by SSD+1 or SSD+2 (rather than SSD)

Where new supplier does not stick to process timelines, (or where there are communication issues with the meter) the closing bill will be delayed further

Q: Do you consider risks/impacts to be materially detrimental from a customer perspective?

Q: Views on whether ability of old supplier to choose to use the midnight read for billing supports a positive customer experience?

If old supplier bills on SSD, but new supplier only raises a dispute on e.g. SSD+2, a refund/back bill may be necessary

Negative customer impacts/concerns arising from the fact that new supplier is billing for a period where appropriate meter information may be absent? (more likely to be a problem in electricity)

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Negative customer impacts/concerns arising from the fact that the time of the read used for billing differs across fuels?

Negative customer impacts/concerns arising from the fact that they may still be paying their old supplier for energy for a period after midnight on SSD?

Q: Do you consider any of these risks to be of material concern from a customer perspective?

Which set of reforms deliver a better billing experience for customers?

Taking into account the full range of billing impacts identified:

Q: Do you consider any of the reform options untenable?

Q: Which electricity and gas reform options do you consider best serve customer interests in relation to billing?

Context

Change of Supplier meter read reforms

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Wrap-up and next steps

Content:

1. Mechanics of Change of Supplier (CoS) meter reads in a smart world
2. Considerations and assumptions
3. The risk
4. Mitigating the risk
5. Questions

- A meter read must be obtained or derived for every CoS event, to close the account with the old supplier and open the account with the new supplier – the ‘CoS meter read’
- In electricity: the CoS read will consist of a total cumulative reading and readings from each of the 48 TOUs tariff registers
- In gas: the CoS read will consist of a total cumulative reading and readings from the 4 tariff registers
- Consumption registers cannot be reset by suppliers

Considerations and assumptions

- Over time, an increasing number of switches will involve a change of meter register configuration (i.e. the new supplier may be recording consumption on different registers to the old supplier)
- No standards or guidelines around how suppliers should configure registers for different tariff types
- Several channels could be used to give consumers access to register/read information if desired, but consumers may have limited insight or understanding:
 - Meter registers/reads information is available via the meter itself, and consumers can view this information if they want to
 - No requirements on suppliers to display, e.g. on IHD, which register is being used (but it is possible)
 - No standards or guidelines on bill communications for smart (CoS) registers or reads

- Some consumers may be confused by perceived misalignment between opening and closing reads across registers, or more generally by the concept of multiple registers and how they are used.
- This will depend on the information they have access to and the explanations they are given.
- For example, where the old supplier is recording consumption on different tariff register(s) to the new supplier, the customer may have difficulty reconciling opening and closing bills if:
 - a customer is moving from a single rate tariff to a two rate tariff, and their closing bill shows the closing reading on register 1, whilst the opening bill shows the opening readings on registers 2 and 3
 - a customer is moving from a single rate tariff to a single rate tariff, but the tariff register used by the old supplier is different to the tariff register used by the new supplier

Ongoing work:

- Energy UK is exploring principles which could be applied to tariff register use
- Focused on domestic consumers

Suggested work:

- Stakeholders have suggested that it could be helpful for Ofgem to consider developing principles or guidelines on communicating CoS reads to consumers

Guidelines or principles: very initial ideas for discussion

Guidelines:

1. making (CoS) reads available:

- Bill to show cumulative reads only?
- Bill to show cumulative reads + registers used?
- Bill to signpost full/relevant registers info?

2. making (CoS) reads available on other channels:

- IHD?
- Online?
- Other?

3. (CoS) read explanations to smart customers:

- What are registers?
 - How are registers used?
 - Why may suppliers registers use different registers?
 - How can I reconcile opening/closing bills
- Which channel/communication route is best for this?

Principles:

- No consumer confusion
- Right balance between information access and overload, eg:
 - keep register information simple on the bill...
 - ...but signpost to the full/relevant register information
- No dependency on standardised use of registers

- Do you agree that Ofgem should develop guidelines or principles?
- Should the focus be on principles or guidelines?
- Applicability to micro-business consumers?
- Is it important for any guidelines and principles to be consistently applied by all suppliers?
- Which elements are CoS-specific vs. ongoing read/register information?
- Thoughts on the initial ideas?
- Other ideas?

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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.