

Change of Supplier Expert Group 9 (COSEG)

Review of the Target Operating Model
8 June 2015

ofgem

Purpose of COSEG 9 and 10

- To discuss specific areas raised in consultation responses on the content of the switching TOM
- Identify what changes should be made in TOMv2, to be published in Sept/Oct
- These meetings are not intended to review Ofgem's February 2015 decision and impact assessment

Agenda for COSEG 9

| Time | Item No. | Subject | Owner | Action |
|-------|--------------|---|-------|-----------------|
| 11.00 | 1 | Welcome and introductions | Chair | For information |
| 11.15 | 2 | Update on Switching Programme | Ofgem | For information |
| 11.30 | 3 | Overview of TOM responses | Ofgem | For information |
| 11.45 | 4 | Scope of the Switching Programme | Ofgem | For discussion |
| 12:30 | Lunch | | | |
| 13.00 | 4 | (cont.) | | |
| 13.45 | 5 | Review of roles and responsibilities (in particular in relation to metering and settlement) | Ofgem | For discussion |
| 14:45 | 6 | Wrap up and AOB | Chair | For information |

We propose to hold a further COSEG meeting on 16 July

- Review consumer journey
- DCC transitional funding and licence requirements
- Ways of working for the Blueprint phase

In February we published our decision on moving to reliable next-day switching



The screenshot shows the Ofgem website page titled "Moving to reliable next-day switching". The page features the Ofgem logo and tagline at the top. Below the title, there is a "Decision" section. This section includes a table with the publication date (10 February 2015) and contact information for Andrew Wallace, Senior Manager, in the Retail Markets team. The contact details include a telephone number (020 7901 7067) and an email address (smartermarkets@ofgem.gov.uk). Below the contact information, there is an "Overview" section that states the goal of the decision: to enable consumers to reliably switch suppliers the next day by replacing existing network-run gas and electricity switching services with a new centralised switching service managed by the Data and Communications Company (DCC). The overview also mentions that Ofgem proposes to lead a programme of work to deliver these policy proposals for consumers by 2019.

Moving to reliable next-day switching

ofgem Making a positive difference
for energy consumers

Moving to reliable next-day switching

Decision

| | |
|---|--|
| Publication date: 10 February 2015 | Contact: Andrew Wallace, Senior Manager |
| | Team: Retail Markets |
| | Tel: 020 7901 7067 |
| | Email: smartermarkets@ofgem.gov.uk |

Overview:

We want consumers to be able to reliably switch supplier the next day. We believe that this should be achieved by replacing the existing network run gas and electricity switching services with a new centralised switching service, run by the Data and Communications Company (DCC).

We propose to lead a programme of work to deliver these policy proposals for consumers by 2019.

- We will introduce reliable next-day switching by 2019
- We will also examine if two-day switching provides a better outcome for consumers
- To be delivered on a new centralised registration service - managed by the DCC
- Switching rules will be set out in the SEC
- Ofgem will lead the switching programme
- **Success will require resources, support and leadership from industry parties at different stages of the programme**

We also consulted on a Target Operating Model (TOM)

- High level description of how the new switching arrangements will work
- Act as a guide and reference document through the lifetime of the programme
- Important to have a clear and agreed understanding of the main requirements

Moving to reliable next-day switching

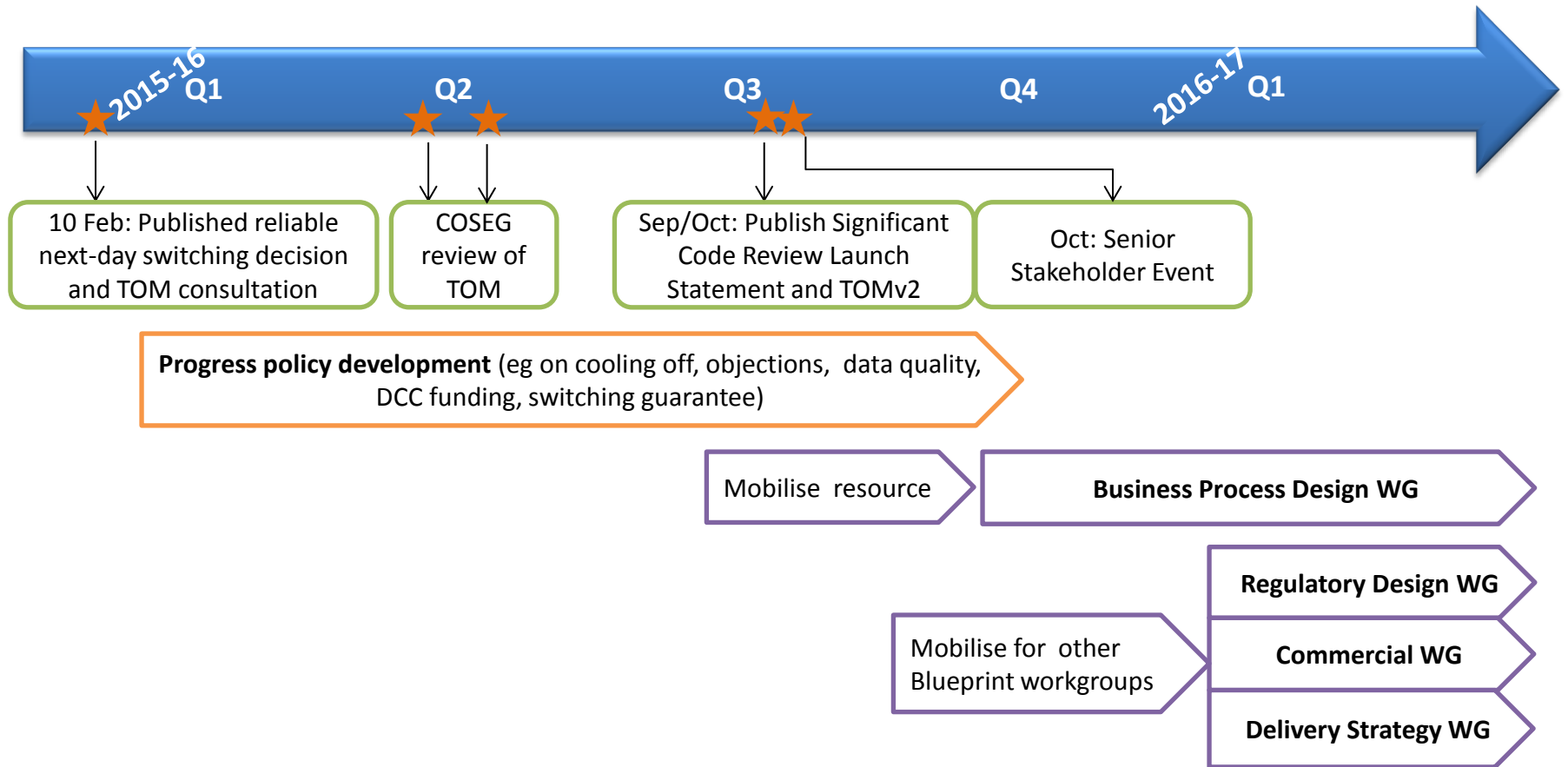
Target Operating Model and Delivery Approach

Version control – internal and external

| Reviewer | Version | Date | Summary of changes |
|----------|---------|------------------|---|
| External | V1.0 | 10 February 2015 | First published version. Issued for consultation. Responses requested by 10 April 2015. |
| | | | |
| | | | |
| | | | |

Moving to reliable next-day switching

Key activities for 2015/16



We received responses from a wide range of parties

| | Respondents | Number |
|---------------------------|---|-----------|
| Suppliers | Big Six, Ecotricity, Ovo, Utilita | 9 |
| Networks | Xoserve, National Grid Gas Distribution, Northern Gas Networks, Wales and West Utilities, SGN, Electricity North West, UK Power Networks, Northern Powergrid, ENA | 9 |
| Consumer groups | Citizens Advice | 1 |
| Metering companies | CMAP, TMA | 2 |
| Other | Elexon, SEC Panel, MEC, DCC, Cornwall Energy, Laurasia, Vocalink, Ordnance Survey | 8 |
| Confidential | | 3 |
| TOTAL | | 32 |

Main points raised on TOMv1

Suggestions on scope

Lots of areas suggested

- We will be discussing these today

Requests for clarifications

How will the new cooling-off arrangements work

- Energy UK led expert group
- Feed into Business Process Design Workgroup

Link between Ofgem's objection review and switching programme

- Outcome will feed into our Business Process Design Workgroup

How will next-day switching work for traditional PPM

- To be discussed at next COSEG

Boundaries of CRS and overlap with other areas (metering, settlement)

- We will be discussing these today

Main points raised on TOMv1

Comments on the February decision

Improvements suggested
to the Impact Assessment

- We consulted in June 14 and updated in Feb 15
- We will continue to update throughout project
- Consult on next iteration at end of Blueprint phase

Request to consider
alternative switching
speeds

- Initial view is that next-day switching promotes best consumer outcomes
- We will continue to review two-day

Other issues

We received comments on
a wide range of further
issues

- We have logged all issues raised
- Individual meetings where required/requested

SWITCHING PROGRAMME SCOPE

Proposal

- Switching electricity MPANs for unmetered site portfolios should be included within scope
- Other issues linked to unmetered sites (eg portfolio management) will remain out of scope

What we said in TOMv1

- Unmetered sites should be out of scope

Further detail

- This is an electricity only issue

Questions

- Does COSEG agree that the TOM should be amended in line with the proposal?
- Are there any additional unmetered supply issues that the switching programme should consider?

Misdirected PPM payments

Proposal

- Support for PPMIPs to allocate of misdirected PPM payments should be included in scope

What we said in TOMv1

- We did not specifically reference misdirected payments but said that CRS will provide data to support an on-line enquiry service for defined market participants

Further detail

- ECOES provides information to PPMIPs to facilitate allocation of customer payments to the registered supplier regardless of which device is used (MAP14)

Question

- Will PPM misdirected payments continue to be a material feature of the retail market after smart meters have been rolled out?
- Does COSEG agree that the TOM should be amended in line with the proposal?

Proposal

- Flagging postcode areas on the CRS that have radio teleswitch should be included in scope

What we said in TOMv1

- Programme will consider what additional data items should be held centrally

Further detail

- Proposed under DCP204 but rejected (uneconomic for current registration systems)

Question

- Do you agree that radio teleswitch will continue to be a material feature of the retail market after smart meters have been rolled out?
- Does COSEG agree that the TOM should be amended in line with the proposal?

Security Restriction Notices

Proposal

- Recording the details of Security Restriction Notices on the CRS should be included in scope

What we said in TOMv1

- Programme will consider what additional data items should be held centrally

Further detail

- Issued by a DNO to notify that changes in demand will affect security of supply in a Load Managed Area (DNO may request suppliers to make changes to Load Switching in affected area to reduce the coincidence of demand)
- Holding data centrally (eg duration) will provide information to a supplier that takes over a site after the Security Restriction Notice has been issued
- Currently issued by DNOs in different formats. DCP204 (rejected) proposed to standardise the template used to provide information to suppliers

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?

Directly connected sites

Proposal

- The registration and switching requirements for sites directly connected to the gas and electricity transmission networks should be included in scope

What we said in TOMv1

- Directly connected sites should be out of scope

Further detail

- Respondent argued that process for large sites should be same regardless of whether they are connected to the distribution or transmission networks
- Xoserve operate a manual process. New arrangements to be included in updated UK Link
- BSC sets out electricity arrangements (which are facilitated by Elexon and its service provider)

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?

Proposal

- The registration and switching requirements for complex sites should be included in scope

What we said in TOMv1

- This was not referenced in the TOM

Further detail

- Respondent argued that process for complex sites should be same
- In gas there are around 120 “unique sites” where more than one shipper shares the load (and the MRPN) and 1,000 primes and subs.
- Xoserve operate a manual process. New arrangements to be included in updated UK Link

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?
- Are there any equivalent issues in electricity?

Licence exempt networks

Proposal

- Switching electricity and gas supplier on Licence Exempt Networks (LENS) should be included in scope

What we said in TOMv1

- Switching arrangements for sites on LENS should be out of scope

Further detail

- Gas/Electricity Act requirements to offer third party access (from Third package)
- DNO required by licence to provide MPAS services within authorised area
- DNOs currently allocate MPANs for sites on LENS that want to switch and administer the process through MPAS (and in accordance with MRA)
- Process not used yet in gas but could operate in principle

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?

Proposal

- The arrangements for switching with related MPANs and improvements to this should be specifically included within scope

What we said in TOMv1

- The scope includes all supply points connected to electricity and gas networks but does not specifically reference issues with related MPANs

Further detail

- The “related MTC” indicates that an MPAN is related but there is no centrally held information on which MPAN(s) it relates to
- Incumbent supplier objects if all related MPANs do not to switch together
- This causes delay and was responsible for 5% of electricity objections in 2013

Question

- Will related MPANs will continue to be a switching issue for smart meters?
- Does COSEG agree that the TOM should be amended in line with the proposal?

Proposal

- The scope of switching programme should facilitate the registration and switching requirements for export metering

What we said in TOMv1

- The scope includes all supply points connected to electricity networks but TOM does not specifically reference export metering

Further detail

- Smart meters can be set up with separate MPANs for import and export. These can have a different supplier and can switch separately (requires a single MOP).
- Once a smart meter has been installed, it must be used to record export (but does not need to be registered for settlement)

Question

- Does COSEG agree that this is an issue to resolve now?
- Does COSEG agree that requirement to register export is out of scope?
- Does COSEG agree that the TOM should be amended in line with the proposal? 20

Proposal

- Flagging that a site has FiTS generation on the CRS should be included in scope

What we said in TOMv1

- Programme will consider what additional data items should be held centrally.
No explicit reference to FiTS

Further detail

- Suppliers typically find out if a site has FiTS generation when informed by the customer
- Previous supplier retains responsibility in some circumstances

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?

Renewable Heat Incentive (RHI)

Proposal

- RHI should be included within scope

What we said in TOMv1

- No explicit reference to RHI

Further detail

- The scheme is administered by Ofgem but no identified link to registration services

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?

Rota load disconnection

Proposal

- Rota load disconnection code data should be included within scope

What we said in TOMv1

- Programme will consider what additional data items should be held centrally.
No explicit reference to rota load disconnection in TOM

Further detail

- This data is provided on a periodic basis by DNOs to suppliers
- It may be more efficient to hold this data in the CRS and distribute it to suppliers centrally/provide suppliers with the access they require to this data

Question

- Does COSEG agree that the TOM should be amended in line with the proposal?

Are there any further scope issues that we should review at COSEG 10?

ROLES AND RESPONSIBILITIES

Gas

- Role of Xoserve
- Settlement
- Metering
- Shippers
- FGO reform

Electricity

- Metering and role of BSC

- Centralised Registration Service (CRS) will provide the switching services and be the central registration database
- The CRS will hold data on (at least) the following items for each site and will make these available to prescribed parties:
 - Address (including UPRN) and MPRN/MPAN
 - ID of the relevant supplier, shipper (for gas), GT or DNO and metering agents
 - Standing settlement data
 - Gas metering data (see later slide)
- CRS will not undertake any balancing and settlement or network charging activities.
- Balancing & settlement, network charging and MPRN/MPAN creation/destruction will continue to be a network responsibility
- Governance will be set out in a combination of the SEC and existing industry codes

- Xoserve will continue to be responsible for Energy Balancing Settlement services on behalf of GTs (demand estimation, gas allocation and nomination etc) as well as billing
- Xoserve will be required to provide standing settlement data to CRS so that suppliers/shippers have a “one stop shop” for the switching information they need
- Xoserve will be required to provide updates on standing settlement data to the CRS
- The CRS will then provide access to/update relevant parties
- We will need to review how settlement queries would be managed

Metering technical details

- Currently MTD updates provided by the MAM to the supplier, then shipper and then GT (or directly by MAM to GT if no supplier in place)
- Our expectation is that the CRS will hold metering data and make this available to the new supplier/shipper
- We also want to explore how to improve the current process. One mechanism could be for MAM's to update the CRS and for the CRS to update all relevant parties (eg supplier, shipper, GT and MAP)

Consumption

- Meter reads are currently sent by shippers and validated and processed by Xoserve.
- We want to review how this will work with a CRS (for both COS and cyclic meter reads)

- Gas shippers currently facilitate switching on behalf of suppliers through interaction with Xoserve
- Under the new arrangements gas suppliers will be responsible for switching through interactions with the CRS
- Shippers need to understand exposure to balancing and settlement and network charges and we proposed the following options in the TOM
 - Predefined combinations of shipper and supplier
 - CRS to inform nominated shippers of any changes
- We propose to amend the TOM to allow a supplier to nominate an agent (eg a shipper) to undertake registration activity on its behalf
- Further work required to understand impact on other shipper requirements and data flows (eg meter read submission to Xoserve)

- The FGO conclusion that Xoserve will be a not-for-profit organisation does not restrict Xoserve from bidding to provide all or part of the CRS services.
- Xoserve will continue to be responsible for settlement and network charging and will be required to interact with the new CRS. It will still be interacting with the full range of industry parties it does now. We therefore still think that the FGO reforms should be implemented and will endure post implementation of the CRS.
- We recognise that there are several models for the funding and governance of the CRS. We will therefore amend the TOM to say that these will be examined by the Commercial Workgroup. This will include a review of the lessons learnt from the FGO review.

Roles and responsibilities

Metering and role of BSC (**elec**)

- The BSC currently sets out rules for meter agents in BSCPs. These rules ensure the accuracy of settlement for every half hour (ie not solely linked to a switch)
- As described in the Feb 2015 Decision, we do not intend to reengineer the electricity metering arrangements as part of the switching programme.
- Our initial view is that the metering agent rules should continue to be set out in the BSC
- The scope of the switching programme will include any changes to the meter agent arrangements needed to allow suppliers to meet the objective of reliable next-day switching.

WRAP UP

- Any further questions?
- Any additional issues that parties consider should be discussed at COSEG 10 (and were not raised in TOM responses)?
- Next meeting, 10:30am, 16 July 2015 at Ofgem