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Moving to reliable next-day switching: Consultation on a Target Operating Model

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to respond to this consultation. Customers should be able to switch supplier quickly and reliably, and so support Ofgem's reform of the switching process. We continue to believe that:

- Any reform must deliver reliable switching for the customer alongside speed – there is no value in enabling switching to take place quicker if it goes wrong.
- Delivering faster, reliable switching requires fundamental reform of the industry processes and flows – this is best facilitated through the centralisation of registration under a single entity such as the Data and Communications Company (DCC).
- Any reform must deliver a good customer experience at a reasonable cost – developing arrangements that are complex to administer will also add cost to the industry and customers that could be avoided by developing a simple regime.
- At this stage it is too early to identify whether the delivery of 24 or 48 hour switching will deliver the best solution for the customer. As such we welcome Ofgem's decision to develop both options.

EDF Energy welcomes the development of a Target Operating Model (TOM) as the first step towards reform of the switching process. We believe that it is vital to have a clear view of the 'to be' landscape for switching that is agreed by all stakeholders before progressing any further with design. This will enable the Blueprint and detailed design phases of the programme to operate more efficiently, as they will have a clear picture of what needs to be achieved.

We broadly agree with the many of the high level requirements that have been captured in the draft TOM. We have identified that there are a number of additional requirements that should be included, and we have noted these in our detailed response. We are especially concerned about the impact of the proposals around cancellations during the cooling off period. Ofgem needs to ensure that any arrangements that are implemented are designed to meet the reasonable expectations of customers in regards to contract cancellation, without adding complexity and cost to the switching arrangements.

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We need to make sure that delivery of the switching reform is not done at the expense of the success of the smart metering rollout. The delivery approach needs to continue to progress the design of the new switching processes without impacting on preparations for DCC go-live. This programme should also be looking at the Smart Metering Implementation Programme for lessons learnt; to assist in ensuring successful outcomes are delivered.

We welcome Ofgem's decision to continue to consider two-day switching as an option. Any reform of the switching process must deliver value and tangible benefits to consumers. Developing two options for further assessment will allow Ofgem to take a more informed decision as to which option maximises the value for the customer. Previous cost information provided to Ofgem was necessarily high level and based on a set of assumptions. As detailed requirements are defined this cost information must be refreshed and reviewed, and the benefits case for the switching options re-assessed as a consequence.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Ashley Pocock on 01342 413838, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

Paul Delamare
Head of Downstream Policy and Regulation

Attachment

Moving to reliable next-day switching: Consultation on a target operating model

EDF Energy's response to your questions

Q1. Do you agree with the requirements set out in the TOM?

EDF Energy broadly agrees with the majority of the proposals set out in the TOM. Overall we believe these requirements will support effective and robust next day switching for all customers, provided the following amendments are adopted. We have identified a number of areas where the requirements either need to be amended or enhanced to ensure that the right outcomes are achieved. These are detailed below.

Programme Objective and Scope

We have identified some issues with the programme scope as detailed in section 2 of the TOM, and specifically some items that have been excluded from the scope.

1. We note that the loading of security keys onto a smart meter will be excluded from the scope of the programme, and this is the only reference to smart metering within the scope. We believe that the ability to update a smart meter with the results of a switch on a timely basis should be included in the scope of the programme.

Smart meters hold and display data to the customer regarding both the identity of their supplier and their tariff. A Smart Meter therefore effectively becomes the customer's window to the progress of their switch; until their smart meter is updated it will not be evident that their switch has been successful. Customers with smart meters will expect their meter to reflect their switch; we need to make sure we are able to meet this expectation. The scope of the programme should explicitly include this within the scope to ensure that this will be achieved.

The switching arrangements for smart meters therefore need to ensure that the switch occurs on the next-day both within the centralised registration service (CRS) and supplier systems, and that the smart meter is updated at this time as well. This includes updating security keys and tariff information.

2. Unmetered customers have been deemed to be out of scope for the programme. We do not believe that this is correct. Unmetered customers also have a registered supplier on the current registration systems, and have the ability to switch supplier. Unmetered customers are included in the settlement and balancing processes alongside metered customers. On this basis we believe that unmetered supplies will need to be included in the scope of the programme; it is not clear what would happen to the registration arrangements of current unmetered customers if they are not.

The Central Registration Service (CRS)

We believe that the requirements that have been proposed for the CRS in section 6 of the TOM are largely correct, and will enable quick and accurate next day switching for all customers. We understand that Ofgem will be progressing the capture of detailed requirements through analytical techniques such as use cases. Such a process was largely successful in the development of the requirements for the DCC, which were then used in the procurement and design of that service. There has, however, been a significant degree of change to these requirements since contract award, which has led to delays in the implementation of the DCC and an increase in costs. Given that this programme is of a similar scale and with many of the same stakeholders, it should be determined whether any lessons learnt from the implementation of the DCC can be applied to this project. This will assist in avoiding the delays and cost-escalation we have seen with regard to the DCC.

Functional Service Requirements

We note that support for the appointment of a Supplier of Last Resort (SoLR) has been included as a requirement. However, it is not clear what specific aspect of SoLR activity will need to be accounted for within the CRS. The switching process for SoLR is the same as the standard switching process; the only difference would usually be the volume of switching activity that needs to take place in a short period of time. If the issue is the bandwidth of the CRS to deal with SoLR this should be clearer in the requirements.

Support for balancing and settlement arrangements has been included as a requirement for the CRS. As the future balancing and settlement processes, including data collection and aggregation arrangements, are currently being reviewed by Ofgem, it needs to be ensured that the CRS is able to support any future developments. A clear link needs to be established between this programme and the work on settlement reform, to ensure that the CRS is designed to be able to support both current and future settlements arrangements.

We believe that the allocation of payments for prepayment meters will also need to be supported by the CRS, and so should be included in the functional service requirements. This process is currently supported by data provided by the registration systems; at the time that the CRS is proposed to be implemented it is very likely that some customers will still have legacy prepayment meters installed, which will need to be supported. However, this depends on suppliers' smart metering rollout strategies for customers with prepayment metering, which is itself dependent on the successful implementation of the DCC. We recommend that the need for the CRS to support legacy prepayment metering processes is investigated further.

Non-functional Service Requirements

We note that no specific non-functional service requirements have been documented at this stage; however, some broad areas for consideration have been noted in the TOM.

We would suggest that capacity needs to be included in these considerations; the CRS needs to be appropriately sized to be able to deal with the volumes of transactions that it will need to support. The capacity of the CRS cannot be regarded as being a barrier to a customer being able to switch quickly, as this will erode consumer confidence in the switching. At the same time it must be ensured that the CRS is not over-specified and under-utilised, as the costs of this will ultimately be borne by consumers.

CRS access requirements

We welcome the inclusion of Meter Asset Providers (MAPs) as key stakeholders with regard to registration data. Currently, MAPs are not always able to accurately identify who is responsible for a metering asset that they own so that they can levy charges for that asset. This can mean that premiums are built into rental charges to mitigate the risk of this uncertainty and to ensure that MAPs are able to recover their costs. If MAPs are able to more accurately track their assets and levy charges appropriately then this should serve to reduce rental charges, and therefore the cost to customers. It may also encourage new participants who are dissuaded from entering the market by the current level of risk thereby encouraging competition in asset provision and further reducing costs. We would however, note that the reference to MAPs as metering agents (in paragraph 6.09) is incorrect; the MAP is not an agent appointed by the supplier, like a MOP MAM, they are the owner of an asset and are associated only with that asset.

Data Requirements

We support the requirement to harmonise the way that data is managed for the gas and electricity markets, as detailed in paragraph 6.10. Most suppliers operate on a dual fuel basis, so harmonisation across the two fields should lead to a more consistent customer experience and reduce costs. We also support the requirement to remove the dependencies that currently exist between the old and new supplier for the successful completion of the switching process. Such dependencies can not only affect one switch, but subsequent switches where the underlying problem has not been resolved successfully.

In addition to the requirements already captured, the data requirements for the CRS should include a requirement to provide sufficient data to the gaining supplier to understand how they will be able to successfully take on that customer and when. For example, where the customer currently has a legacy prepayment meter a next day switch would not be appropriate as the gaining supplier would not be able to issue a new payment device to the customer in time. For these customers a next day switch could result in their continuing to be charged at the old supplier's price until the payment device can be issued. Suppliers will also need to be able to understand whether the customer is in a Load Managed Area as part of the switching process, as this could restrict the tariffs that they can make available to the customer, which may affect their decision to switch in the first place. Other similar data items such as rota-disconnection information may also be appropriate to be held within the CRS, although they may not directly impact the switching process itself.

There are also a number of customers with non-standard metering installations or tariffs which some suppliers may not be able to support. Such metering installations and tariffs are likely to exist even after the rollout of smart metering. A proportion of the erroneous transfers that currently occur are due to the gaining supplier not being able to support the customer they have gained and switching them back, and we need to avoid exacerbating this situation. The data held by the CRS therefore needs to support potential gaining supplier in undertaking pre-registration checks to enable them to understand whether they are able to support a potential customer under their current metering arrangements, and whether a next day switch would be appropriate for that customer.

Communications Interfaces

We believe that the requirements for the communications interfaces as detailed in section 6 of the TOM are appropriate. A number of data quality issues that are currently experienced exist because of the variety of ways that data is communicated between market participants. In some cases market participants are also reliant on others for receiving data where it could be communicated more directly. As an example, the MAP is reliant on the MOP/MAM for notification of a change of supplier, therefore more direct communication of data to those that require it may reduce the number of data quality issues experienced in the switching process.

New Switching Arrangements

EDF Energy believes that section 7 of the TOM is a clear articulation of the new switching arrangements, and sets out the high level requirements that will need to be met by each stage of switching process. We also agree that while both domestic and non-domestic customer should have the ability to switch on a next day basis, the differences between the markets need to be accounted for. The contractual arrangements, and specifically the use of customer appointed metering agents, will need to be accounted for in the TOM to ensure that no customer is disadvantaged by the proposed reforms.

We broadly agree with the majority of the requirements documented in section 7, but we do have a number of specific comments in regards to the various steps of the proposed switching arrangements.

Consumer enters into a contract with gaining supplier

It is stated in the TOM that the consumers will be able to enter into a contract on one day and start being supplied by their new supplier the next day, or select an alternate switching date if that better suits them. As noted above, the required timescales for a switch are also determined by other factors such as the customer's metering, for example legacy prepayment metering. The new switching arrangement will need to be able to account for this, and ensure that suppliers are able to identify where a next day switch is not appropriate and when the switch will occur, and communicate this to the customer. It needs to be ensured that customers have clear expectations of what will happen and when from the start of the switching process.

The role of Third Party Intermediaries (TPIs) is critical to the switching process and managing customer expectations in regards to their switch. We believe that TPIs may need to have obligations placed on them to ensure that they are able to support next day switching. A customer should expect to receive a similar experience whether they switch via a TPI or directly via a supplier. As noted in section 6 of the TOM, TPIs will almost certainly require access to the CRS in order to be able to support this aim.

Gaining supplier registers the switching request

We recognise that there may be a value in being able to submit a single transfer request for both fuels, and to enable a switch to be requested at a customer level. However, how such a dual fuel request will be treated within the CRS will need to be carefully considered. As an example, where there is an issue with the switch on one of the fuels it would need to be clear whether the switch on the other fuel should still progress or not.

As well as the ability to switch both fuels at the same time, the CRS should also support the ability to switch related Meter Point Administration Numbers (MPANs) at the same time as part of a single switching request. Customers will continue to have related MPANs even after the rollout of smart metering; in fact for smart meters it will be even more critical that both MPANs on a single twin element smart meter are supplied by the same supplier as only one supplier can access a smart meter at any time.

CRS rejects the switching request

We believe that the requirements around the rejection of the request by the CRS will need to be carefully considered. Where the request has been submitted to the CRS after 5pm it may be better for the switch date to be incremented by a day, rather than being rejected. However, this would need to be clearly explained to the customer if this was to be the case; this reinforces the point made above that customer expectations about when their switch will occur will need to be managed from the very start of the switching process.

Losing supplier blocks the switching request (objections)

We note that this area is currently under review and that a Call for Evidence has been issued on this topic. Any uncertainty in this area will need to be resolved before detailed requirements can be progressed. On the assumption that objections would need to be retained the costs and risks associated with the two options detailed would need to be considered. If an objection flag was to be held within the CRS this would also need to have a date associated with it for contract related objections. This date would be the end of the contract, to enable any registrations submitted for a switch before that date to be rejected, and any for later switch dates to be accepted.

Key to considerations around objections is the use of the Change of Tenancy indicator on the switching request. A switch should not be objected to where it is coincident with a Change of Tenancy. Presently, losing suppliers are able to verify whether the Change of Tenancy is valid, which may not be the case for next day switching. Appropriate use of

any Change of Tenancy indicator on the switching request will need to be suitably monitored to prevent misuse.

EDF Energy also has concerns regarding central storage of and access to information regarding objections, specifically in terms of data privacy. It would need to be clear whether the data is visible to market participants or only used as part of an automated objections process. If it is visible, and where the objection is for debt reasons, having the objections flag set could be seen as an indicator that the customer has outstanding debt with the current supplier, which could prejudice the actions of a potential gaining supplier. It would need to be ensured that any centrally held objections information is appropriately used and access to it is controlled; an audit process would be required to monitor the accurate population of this information.

Consumer cancels the switching request

One of the areas of the TOM that EDF Energy is most concerned by is the cancellation of a switching request within the cooling off period but after the switch has already occurred. While we recognise that the requirement for this arises as a consequence of consumer rights legislation, we believe that implementing this into the switching arrangements in the manner proposed by Ofgem will create a number of issues for suppliers and especially for customers with smart meters.

What is not clear from the detail provided in the TOM is what dates will be used when the 'switch back occurs' and whether the customer will be shown in the CRS as being supplied by the gaining supplier for the period between the original switch and the switch back. We note that in previous discussions on this topic Ofgem have referred to switching back 'as if the original switch had never occurred', but this is not made explicit in the TOM. This needs to be made clear to understand the full impacts of these proposals on customers as well as suppliers and other market participants.

As noted above, a customer's smart meter will be updated with revised tariff information as well as other data when a switch occurs. These updates are irreversible and cannot be made retrospectively. What this means is that a customer's meter will be updated with revised tariff information on the switch, and then again on the switch back to the original supplier. If the original supplier is expected to be able to bill for this period they may not be able to do so as the meter may not have recorded energy usage in line with the customer's tariff if the new supplier applied new tariff/configuration details. The data used for billing will also not reflect the consumption of pricing information displayed on the smart meter. Billing for this interim period not only seems to be very complicated to achieve but it seems to be quite difficult to automate. This process would need to be automated as far as possible given the significant volumes of contracts that are cancelled within the cooling off period.

These proposals could also potentially create conflicts with the work being progressed under Consumer Empowerment and Protection around the issuing of final bills for smart meters customer switch. The expectation is that a final bill should be able to be issued a

few days after the switch. However, where it is possible for the customer to cancel their contract, the losing supplier may not wish to close the account and issue the final bill until they are certain that the switch is going ahead, which may be up to 14 days after the switch has taken place. There are additional complications created where the customer has a smart meter being operated in prepayment mode, as it is currently proposed that the losing supplier will clear down the balance of the smart meter and set it into credit mode as part of the switch. There are also a number of other impacts of having to 'undo' a switch due to cancellation, for example where debt has been assigned as part of the original switch and this then needs to be transferred back to the original supplier.

It should be noted that the balancing settlements process will also be driven by registration data provided by the CRS, so any data that is used in the settlement process should be accurate and not subject to change. Were initial settlement runs to be carried out on the basis of registration data that is still subject to a significant degree of amendment as a result of contract cancellations, this would have impacts on the accuracy of payments made, and the amount of change that would occur between the initial and subsequent settlement reconciliations. We believe that registration data used for balancing and settlement purposes should be actual data that is not subject to change as a result of cancellation.

We believe that the area of switching during the cooling off period needs further and more detailed consideration. It must be ensured that any switching back within the cooling off period can be carried out robustly and in a highly automated way, ensuring that customers are billed accurately for the energy that they use and suppliers are charged for energy that they are able to bill. We support the intent to implement similar, automated processes to resolve certain erroneous transfers, which are currently highly manual and costly to process.

CRS notifies and completes the switching request

EDF Energy agrees that the requirement for lock-out periods will need to be reviewed as a consequence of the changes to the switching arrangements. Customers should not be unnecessarily prevented from switching suppliers and from achieving the benefits of doing so. At the same time, suppliers could be providing services at risk for very short periods. This may mean charges are impossible to collect and ultimately drive up costs for all customers. The fact that customers may be switching within their cooling off period will also need to be accounted for in any consideration of lock out periods.

Change of supplier meter reading process

EDF Energy agrees with the requirement that the processes for generating change of supplier readings need to be efficient and reliable. We have raised supported changes to the current gas and electricity processes to enable this to occur for customers with smart meters, and will continue to support Ofgem's work in this specific area. We also support the requirement to ensure that market participants are able to access the metering data they require in order to facilitate a switch on a timely basis. We believe that the data

required for a switch to occur needs to be separated from the data required for settlement purposes. Data required for the switch can then be prioritised and less critical data can be exchanged later as necessary.

Erroneous transfers

We believe that the requirements related to reducing the incidence of erroneous transfers are appropriate. Our experience is that address data quality is the main reason for selection of an incorrect metering point in the registrations process. Improving the quality of this data should reduce the incidence of erroneous transfers; however, the ownership of this data and the processes for maintaining and updating it will need to be defined. The role of the new connections process in establishing good quality address data from the creation of a new supply point should be considered as part of this review.

We also believe that smart metering may be able to support the reduction in erroneous transfers; however, this must be done in a way that is not onerous to the customer as this may dissuade them from engaging with the switching process. As noted in the TOM, TPIs will also have a critical part to play in this by ensuring that the data captured at the very start of the switching process is as accurate as possible.

We agree that considerations such as debt assignment should be considered as part of the reforms to the switching process. Fast switching relies on high degrees of automation within the switching processes; therefore, any processes that currently require a high degree of manual intervention, such as those listed in section 7.31 must be considered within the scope of the programme. As well as transfer of debt, consideration should also be given to how a similar approach might enable the transfer of credit balances between suppliers for customers with a smart meter operated in prepayment mode.

Governance Arrangements for CRS and switching

EDF Energy agrees with the proposed governance arrangements detailed in section 8 of the TOM. As noted in the TOM careful consideration will need to be given to the way that the SEC is structured to ensure that the registration obligations that apply to all market participants, and the obligations that apply to the operation of smart meters, are clearly demarcated.

Charging Arrangements for the CRS

EDF Energy believes that the majority of the recommendations appear to be a sensible way for the DCC to operate. It was pleasing to see the paper considers both pre and post Central Registration Service (CRS) implementation. We accept there will need to be changes to the DCC Licence if monies are to be recovered through the DCC Charging Methodology for both Fixed and Explicit charges.

Although we support DCC being subject to price control arrangements we require confidence that appropriate controls are put in place (including any ex anti Transitional costs) to ensure that any expenditure is tightly controlled and that users have full visibility

of proposals. Similar controls must also be put in place to manage any potential incentives to reward the DCC. These must be linked to exemplary performance levels of deliverables.

If Users are to fund the CRS activities we would expect to see a reduction in DNO and GT charges and would not expect the same level of charging to be maintained under the auspices they are required to build and maintain arrangements that support the exchange of data with the CRS and their existing system.

With regard to Procurement we accept the DCC's licence will require it to procure the CRS via an external competitive tendering exercise. As a DCC Stakeholder we would expect Users to be fully involved in this activity. In particular, with regard to cost, the design baseline and service standard which provides them with the confidence it will be delivered with full functionality, on time and in budget.

Price control arrangements for the CRS

EDF Energy broadly agrees with the proposed price control arrangements for the DCC. While we recognise that the price controls may not be re-opened unless there is a material change to costs, we understand that there will be mid-period review for the price controls. It would be prudent at this point to review whether network prices can be reduced as consequence of DNOs and GTs reducing their costs as a result of the switching reforms.

Delivery approach for the CRS and switching arrangements

EDF Energy agrees with the proposed delivery approach for the CRS and switching arrangements. This appears to be proposing broadly the same approach as is being used for the implementation of the DCC, enabling best practice to be replicated but also lessons to be learnt from that programme.

As with smart metering, we believe that the testing phases will be absolutely critical to the successful implementation of the CRS. It needs to be ensured that time is allowed for robust testing of not only the new CRS systems but also the end to end processes. We believe that this will require extensive co-operative testing between market participants; a switch will only be effective if it works properly for both the losing and gaining suppliers, as well as other parties affected by the process such as network operators and metering agents. We can not afford to go-live with something that does not quite work and then try and fix it after the event, this will affect consumer confidence in switching and serve to further disengage customers from the switching process.

It is also critical that the transition from the current to the new arrangements is carefully managed, and we welcome the proposals to implement a Transitional and Implementation Scheme to define how this activity will be undertaken.

Q2. Is our description of the requirements sufficiently comprehensive to progress the design of our reforms during the next phase of the programme?

EDF Energy believes that requirements detailed in the TOM provide a good high level view of the desired end state to be achieved by the programme. It is vital to have a clear view of the 'to be' landscape that is agreed by all stakeholders before you progress into a design phase, as this then ensures that all discussions take place in the context of an agreed goal. It also enables the road map from 'where we are now' to 'where we need to be' to be clearly articulated.

We do, however, believe that there are a number of areas referred to in the TOM as needing to be considered by the programme that will require further clarification before more detailed requirements can be defined. We especially feel that the roles of the market participants other than the CRS and the suppliers involved in the process need to be more clearly defined. It is right that these parties are the focus of the TOM, but more detailed consideration needs to be given to the role that parties such as metering agents and network operators have in those processes.

Specifically in regards to metering agents, we believe we need to consider what the future role of these agents will be in the context of both smart metering and settlement reform. The TOM currently assumes that the role of these agents will broadly stay the same as a result of the proposed reforms. We believe that this may not necessarily be the case, especially in the context of more direct management of smart meters by suppliers rather than agents, and that the future role of these agents should be more clearly articulated in the TOM.

Q3. Are there any additional requirements that should be captured in the TOM?

We believe that we have addressed this question in our response to question 1, where we have noted a number of requirements that need to change or be added to the TOM. We believe that it is inevitable that further requirements will be identified as the programme progresses through its various design phases; the programme needs to ensure that it is able to identify and incorporate these as early as possible through detailed analysis, change control and continued engagement across all stakeholder groups.

EDF Energy
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