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ISSUES PAPER – CONTROL SHEET

Title of Paper	**Dual Fuel Switch**		
Issue Ref	BPD i12	Date:	3 February 2016
Issue Owner (Accountable)	Jenny Boothe		
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Status of Paper	1 – Initial Development and Review 2- Draft for Workstream Leaders Review 3 – Draft for User Group Review 4 - Provisional Conclusions for DA Consideration 5 – Draft for EDAG Review 6 – Final Recommendation to DA		
Timing	Interdependencies with BPD i03 on Objections, BPD i09 on Meter Point Linking / Address Matching and BPD i34 on Related Metering Points		
Dependencies	No external dependencies		

Circulation	Workstream Leaders / Design Team / User Group / EDAG /DA Huddle / Website *Papers which discuss issues which are sensitive as between stakeholders or which contain any information provided in response to an Information Request should not be shared externally and must be protectively marked*

Issue	Should the CRS reject a dual fuel registration request if validation or other issues prevent progress with one fuel?		
Impacts Domestic?	Yes	Impacts Non-Dom?	Yes
Policy Objective (and reference to ToM v2)	This was left as an open issue for resolution during the Blueprint Phase (Para 8.13)		
Previous Positions on this/related Issues	New issue		
Summary of Recommendations	Registration requests should be treated individually: where a supplier has signed a customer to a dual fuel contract the CRS should process them independently. If one registration request is valid and the other is invalid, one switch should proceed while the second is returned to the supplier for correction.		

Internal and External Engagement and Record of Decisions		
Business Process Design	Author	
Regulatory Design		All workstreams present at Workstream Lead meeting
Delivery Strategy		
Commercial Strategy		
DIAT		Reviewed prior to submission to DIAT
Legal		NA – no legal issues identified
Other Ofgem Teams		NA – no interdependencies with other teams identified
Meetings at which this paper has been discussed		
Workstream Leaders Mtg	16/12/2015 27/1/2016	Minor changes agreed to template and to content - approved for discussion at User Group with draft recommendation supporting Option 3 Reviewed feedback from UG and concluded that the recommendation should be changed from Option 3 to Option 2
User Group	25/1/2016	UG members advised that the 'One Fail / All Fail' option would not be used by suppliers and should not be included in the CRS requirements to handle dual fuel switches (although similar functionality may be required to support switching of related MPxNs).
EDAG	11/2/2016	Scheduled for review
Other External		NA
DA	24/2/2016	Scheduled for decision

ISSUES PAPER – CONTENT

Issue

1. The core objectives of the Switching Programme (ToM v2 para 4.3) include providing "an opportunity to join, harmonise and simplify the switching processes". At one level this means that suppliers should benefit from having common processes across gas and electricity. However these objectives could be pursued further to deliver benefits to both suppliers and customers by tying the gas and electricity transactions in a dual fuel switch into a single switching event.

2. Under the new switching arrangements, suppliers will be able – as now – to submit registration requests for single fuel switches as individual switching transactions, even if they relate to the same customer or property. These individual transactions are not addressed by this paper.

3. This paper is only concerned with dual fuel switches. A dual fuel switch is defined as occurring when a customer elects to switch the (import) electricity and gas supplies to their property from Supplier B to Supplier B on a single, nominated date (which may be 'first available'). Whether the losing supplier is the same for both fuels or there is a separate Supplier A_{Gas} and Supplier A_{Elec} is not significant to this paper.

4. Ideally in the case of this dual fuel switch the customer would provide their address to the supplier who, in turn, would submit it to the Registration Agent – along with the requested switching date – to initiate the switching process. However, as illustrated below, this ideal scenario is not achievable in all cases.

5. The issue addressed in this paper is whether – for a dual fuel switch – one switch should be abandoned if the other is rejected by the Central Registration Service (CRS) (for reasons of validation error or objection as discussed below) and returned to the supplier for correction. This issue was recognised in ToM v2 (para 8.13) with an expectation that it would be addressed during the Blueprint Phase.

Essential Background

6. The issue of whether and how gas and electricity metering points within a single property should be cross-referenced will be addressed in Issue Paper BPD i09 which will also explore how such cross-references could be made available to industry parties, including Third Party Intermediaries (TPIs). For the purposes of this paper it sufficient to note that, currently, there is no definitive means of linking the gas and electricity meters at all properties in GB. Gas and electricity metering points can be associated with each other through the mechanisms described below but these demonstrate varying levels of applicability and reliability:

    a. smart meter comms hub: a single SMETS2 comms hub can support one gas meter and up to four electricity meters. As there will be a single IHD it is

intended that all the meters supported by a single comms hub are located within the same property for a single customer (energy usage data is considered to be 'personal data' for DPA purposes and thus cannot be shared without customer authorisation). If a supplier can identify one gas and one import electricity meter linked to the same comms hub, they should have a high level of confidence that the two meters are measuring consumption in the same property

    b. address (potentially including Unique Property Reference number - UPRN): where the address for the gas and electricity meters match precisely, suppliers can also have confidence that they are supplying the same customer

    c. customer provided information: customers can provide suppliers with MPxNs, Globally Unique Identifiers (GUIDs) or meter serial numbers (MSNs) as printed on their meters or bill. However this information may not be easily accessible (e.g. meter under the stairs) so customers may mis-read the MPxN/MSN/GUID, or may communicate the information incorrectly. Even if the MPxN/MSN/GUIDs are valid suppliers may be reluctant to accept them as linked meters if the addresses on the registration systems differ

7. As noted above, one approach to processing a dual fuel switch would be for the CRS to be designed to handle a request such as "please register all metering points at a stated address to Supplier B from the date specified". Based on the currently available address data there is a significant risk that this would not result in the dual fuel switch that was intended. The risk will diminish as smart meters are rolled out and the metering points can be linked via the comms hub (as described above). Equally the risk could be substantially reduced by undertaking a comprehensive matching exercise across gas and electricity to link metering points at the same address.

8. However, even after all smart meters have been deployed or following completion of a comprehensive matching exercise, there will still be edge cases where a "please switch all metering points" request may not be fulfilled, for example:

    a. where a property has multiple meters for a particular fuel (e.g. a farm, a large house with heated swimming pool in the grounds, a separate supply for charging electric vehicles)

    b. where a property has an export meter registered and the customer wishes to have separate suppliers for import and export services

9. Finally, it should be noted that there are 'related MPANs' where dual element meters (or similar) are installed. In such situations (which are also supported by smart metering) the current settlement arrangements require the related MPANs to be switched as a pair. This issue will be analysed further in Issue Paper BPD i34 Related Metering Points.

Analysis

10. Because there is no reliable and universal means of linking gas and electricity metering points and because there are instances where only a subset of the meters at a property

are to be switched, suppliers will need to submit two requests to the Registration Agent for a dual fuel switch.

11. The Customer Switching business process model "1.2 Complete Supplier Checks and Request Switch" identifies steps that may be undertaken by a dual fuel supplier. In this process Supplier B validates the information supplied by the customer (or TPI) and completes any additional checks prior to submitting the registration requests. Suppliers are responsible for specifying the checks to be performed in the course of this process, but for a dual fuel contract the checks may include 'triangulation' between the MPxNs supplied and their addresses and the GUID/MSNs held in registration systems or the smart meter inventory.

12. The business process models denote the submission of registration requests by Supplier B to the Registration Agent. For a dual fuel switch this will comprise one gas and one electricity request but – as noted earlier – other permutations can also arise.

13. Registration requests for a dual fuel switch will be individually validated by the Registration Agent. The validation steps will include (but is not limited to):

    a. that the MPxN exists and has a tradable status
    b. that the requesting supplier is valid, is not suspended and is not the existing supplier
    c. if the MPAN has a Green Deal flag, that the supplier is a licensed Green Deal supplier
    d. that there are no objections which would prevent transfer of the MPxN to the requesting supplier (note: this is subject to Issue Paper BPD i3 Objections)

14. The validation process may lead to the following scenarios arising:

    a. both/all the registration requests for a dual fuel switch pass validation – in which case registration of all the linked requests will proceed
    b. both/all the registration requests for a dual fuel switch fail validation – in which case all the requests will be returned to the supplier for action
    c. at least one request passes and at least one fails – this scenario is addressed by the options described in the next section

Options

15. In the event that at least one request passes validation but one (or more) fails, the options that have been identified by the Design Team are as follows:

    a. Option 1: automatically 'one fail/all fail' – under this option all the linked requests would be rejected and returned to the supplier for action
    b. Option 2: automatically 'proceed where possible' – under this option the requests that passed validation would be taken forward to registration and others

would be rejected and returned to the supplier. Note that this is what happens under current arrangements

c. Option 3: the supplier chooses the approach to be taken for each set of linked requests (i.e. to specify 'one fail/all fail' or 'proceed where possible' for each set of linked requests)

16. **Option 1** requires the Registration Agent to monitor the progress of all linked requests through its validation processes. If any request fails validation, all linked requests would be rejected. The Registration Agent would identify which requests have failed (and why they failed) and which have passed and on receipt of a rejection notice the supplier would decide how to proceed. This option might be appropriate in cases where a supplier has entered into a dual fuel contract for gas and electricity and the customer wants to ensure that start dates are aligned.

17. **Option 2** is the simplest for the Registration Agent to administer in that individual requests are processed completely independently (as happens now). However customers could become confused if they were expecting concurrent switching of gas and electricity and found that only one switch had been completed.

18. **Option 3** allows suppliers to specify which approach to adopt and to vary their approach depending on company policy or specific customer circumstances. There is some risk that suppliers select the 'proceed where possible' approach with the aim of maximising sales, but this is no different from arrangements in force today.

19. Under Option 3 there are two sub-options:

a. Option 3A: suppliers decide for themselves whether to specify 'one fail/all fail' or 'proceed where possible'
b. Option 3B: suppliers pass on this choice to the customer.

Options assessment

20. Options 1-3 identified above are assessed against the Design Principles in Appendix 1.

21. There are no strong arguments presenting a 'showstopper' which would rule out any of the primary options under consideration.

22. With regard to the sub-options of Option 3, the following arguments should be considered:

a. passing on the choice of options to the customer offers flexibility. It can be considered akin to Amazon's "do you want to consolidate your items into a single delivery or send them as soon as possible"
b. offering the choice of approach implies there is a possibility of something going wrong. Consumer research by Energy UK on the Switching Standard, dated 4 December 2015, indicated that customers did not welcome the uncertainty

implied by "any issues in making the switch" (Point 8) and the potential "hassle" it might create for them

   c. allowing the supplier to choose 'proceed where possible' without reference to the customer might result in suppliers choosing this option to gain at least one fuel, even where they had significant concern that the other switch might fail

Recommendations

23. **<u>EDAG is invited to review our recommendation to ask DA to approve</u>** Option 2 wherein registration requests for a dual fuel switch would be validated independently. Requests which pass validation would proceed to registration and requests that fail validation would be returned to the supplier for correction.

24. The Design Team initially noted that there could be merit in requiring suppliers to specify whether a set of linked registration requests should 'proceed where possible' or be subject to 'one fail / all fail' (i.e. Option 3).

25. Members of the User Group advised the team that suppliers' priority is to complete transactions first time wherever possible and to minimise the number of registration rejections. The 'proceed where possible' approach allows suppliers to demonstrate to the customer that progress has been achieved in one 'leg' of a dual fuel switch and to highlight specific reasons why the other fuel was being delayed. The User Group was unable to identify circumstances where a supplier might wish to delay one switch request solely to align its Switch Date with that of another request and could not justify the inclusion of 'one fail / all fail' functionality in the system specification.

26. In the light of the advice received from the User Group, the team undertook further analysis of the implications of the options on customer experience. The key points, which are summarised in the evaluation matrix at Appendix 1, are as follows:

   a. Option 1 - always invoke the 'one fail / all fail' rule: given the customer has signed a dual fuel contract they probably expect both fuels to switch on the same date. However under this option a customer who is keen to leave their existing supplier could find that their dual fuel switch is delayed due to an administrative problem with one fuel. This could generate a dissatisfaction with the switching process, potentially leading customers to abort the whole switch and disengage from the market

   b. Option 2 – always 'proceed where possible': a prospective dual fuel customer could be anxious that if one switch fails they could be placed on a disadvantageous tariff for the other fuel until the one that had failed 'catches up' (e.g. if there is a dual fuel discount). The delay may also discourage customers from subsequent engagement in the market. In the majority of cases it is expected that the delayed switch will only be a few days behind the first and suppliers would configure the customer's account in anticipation of both switches proceeding. In such cases the customer will only be very marginally disadvantaged (i.e. calculated as a small number of days delay times the

difference in tariff between the old and new suppliers). <mark>[EDAG is invited to comment on how Suppliers A and B would charge the customer in the event that one switch is delayed while the other proceeds normally.]</mark>

c. Option 3 – suppliers (potentially with advice from customers) can choose how to proceed: although greater choice is generally to be encouraged, presenting the options to customers could require lengthy explanation from customer service agents. Furthermore it could introduce into the customer's mind the possibility that something could go wrong with the switch, when in the majority of cases it will proceed smoothly. In the worst case this could result in a customer backtracking from the competitive market.

27. It was also noted that Option 2 will be the lowest cost option both for the CRS and for suppliers (although it was noted that the CRS may need 'one fail / all fail' functionality to support switching of related MPANs). Some suppliers voiced concern that presenting the options to customers (which in any case is not mandated by Option 3) could extend the duration of customer sales calls. This represents a further cost to suppliers.

Justification

28. Members of the User Group were unable to identify circumstances in which they would utilise the 'one fail / all fail' option.

29. It should be noted that the 'one fail / all fail' logic may need to be included in the CRS to process related MPANs. If this is the case, it should be feasible to add the 'one fail / all fail' option as a supplier-specified option for dual fuel registration requests. This could either be included for initial implementation or as an enhancement to the CRS solution.

Appendix 1 - Options Evaluation

Design Principle	Option 1: Automatic 'one fail/all fail'	Option 2: Automatic 'proceed where possible'	Option 3: Supplier chooses between 'one fail/all fail' and 'proceed where possible'
Impact on Consumers			
1 Reliability for consumers	Customer wanting dual fuel switch can be confident they won't be left with one fuel switched and the other still with Supplier A.	Generally issues are rectified within a few days and supplier can demonstrate progress on one fuel to build customer confidence in the switching process	Customer could be confused by the complexity of the two options (if the choice is passed on to them)
2 Speed for consumers	Places greatest pressure on supplier to correct errors and resubmit	Suppliers could relax on the basis that one fuel has switched but in practice staff are under internal pressure to clear issues promptly	Impact on speed depends on option chosen by supplier and/or customer
3 Consumer coverage	No differential impact		
4 Consumer experience	Customer could be frustrated if one switch is being held up by an 'admin problem' with the other'	Delays generally limited to a few days and suppliers can reassure customers that they will not be disadvantaged by such 'admin problems'	Being presented with a choice implies that something might go wrong which is not a message to build confidence
Impact on Market Participants			
5 Competition	Customer frustration could lead to disengagement from the market	Unless delay is significant then unlikely to affect customer engagement in the retail market	Customer could be confused by options or could worry that existence of options implies that switch might fail. Either could cause customer to withdraw from the market
6 Design – robustness	More complex to build as requests have to be held until 'all clear'	Simplest to build	More complex to build as requests have to be held until 'all clear'
7 Design – flexibility	Suppliers required to conform to single approach	Suppliers required to conform to single approach	Offers suppliers flexibility on how they want linked requests to be handled
Impact on Delivery, Costs and Risks			
8 Solution cost/benefit	Small level of additional complexity	Simplest to build/test	Small level of additional complexity
9 Implementation	Small level of additional complexity	Simplest to build/test	Small level of additional complexity