

Modification proposal:	<b>Supply Point Administration Agreement (SPAA) Change Proposal (CP): 15/301: Changes to the Change of Supplier meter reading process for smart meters</b>		
Decision:	The Authority <sup>1</sup> has decided to reject <sup>2</sup> this modification <sup>3</sup>		
Target audience:	SPAA Parties, SPAA Panel and other interested parties		
Date of publication:	5 April 2016	Implementation date:	n/a

## Background

When a customer undertakes a change of supplier (CoS), a meter reading must be obtained by the new supplier and submitted, via the registered shipper, to Xoserve, as agent of the Gas Transporter (GT). If a read is not obtained, (or it does not pass validation tests), the GT will provide an estimate. This meter read is used both to open the account with the new supplier and to close the customer's account with their old supplier, with a final bill issued to the customer for energy used up until that point. The meter read is also used by Xoserve for settlement purposes and delineates the responsibility for charges between old supplier and new.

In December 2013, we wrote to relevant code bodies, including the SPAA Executive Committee<sup>4</sup>, asking that working groups be set up to consider any relevant changes to the CoS meter read processes for smart meters. It was envisaged that this would build upon the work of the CoS Expert Group (CoSEG)<sup>5</sup> which formed part of our smart metering strategy.

We asked that the new industry groups seek to improve the efficiency of these processes in the context of smart meters and align outcomes for consumers when switching supplier for either fuel. We had particular concerns that in the absence of reform, the existing CoS process would become even more complex in order to account for the requirements and features of smart meters. We recognised that these complexities did not exist in gas to the same extent as electricity, owing to the different role played by supplier agents. However, we nonetheless believed that reforming the CoS meter read process for smart gas customers could deliver benefits for consumers, and support efficient and co-ordinated switching and billing for smart meter dual fuel customers.

Further to these letters, EDF Energy raised Balancing and Settlement Code (BSC) Issue 53<sup>6</sup>, and subsequently raised BSC modification proposal P302<sup>7</sup>. We approved P302 in June 2015<sup>8</sup>.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

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

<sup>3</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>4</sup> Ofgem open letter:

[https://www.ofgem.gov.uk/sites/default/files/docs/2013/12/open\\_letter\\_on\\_potential\\_reforms\\_to\\_the\\_change\\_of\\_supplier\\_meter\\_read\\_process\\_for\\_smart\\_gas\\_meters\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2013/12/open_letter_on_potential_reforms_to_the_change_of_supplier_meter_read_process_for_smart_gas_meters_0.pdf)

<sup>5</sup> CoSEG included representatives from industry (both gas and electricity), government and consumer representatives. The group met several times over the summer of 2013. A summary of the group's output is published at: [www.ofgem.gov.uk/publications-and-updates/summary-findings-change-supplier-expert-group-COSEG](http://www.ofgem.gov.uk/publications-and-updates/summary-findings-change-supplier-expert-group-COSEG)

<sup>6</sup> <http://www.elexon.co.uk/smg-issue/issue-53/>

<sup>7</sup> P302: 'Improving the Change of Supplier meter read process for smart meters'

<sup>8</sup> See: <https://www.elexon.co.uk/wp-content/uploads/2014/05/P302D.pdf>

## The modification proposal

CP15/301 was raised by EDF Energy to introduce similar changes to the gas market as had been pursued and subsequently implemented in the electricity market via P302. EDF Energy considers that current CoS meter reading process is not fit for purpose in the context of Data Communications Company (DCC) serviced smart meters. This is because smart metering introduces the concept of four Tariff Time of Use (ToU) Registers and a separate Consumption Register reading. It is noted that these separate registers are not catered for under the current arrangements but may be used as the basis for billing customers, while the Consumption Register reading may continue to be used as the basis for settlement arrangements.

In order that the old and new suppliers may both obtain readings for the Tariff ToU registers at the same point in the CoS process, CP15/301 proposes:

- The introduction of a new Schedule which details the process steps to be followed for a CoS on a DCC serviced meter;
- Amendments to Schedule 11<sup>9</sup> to enable disputes to be raised as a result of meter readings on the Tariff ToU Registers or the Consumption Register not being accepted by the old Supplier;
- Amendments to Schedule 12<sup>10</sup> as a consequence of the introduction of four optional fields in Shipper Agreed Read process to cater for the ToU readings; and
- The introduction of a new smart meter read flow (SMRF) which old and new suppliers will use to communicate the CoS smart meters reads between each other.

## Change Board<sup>11</sup> recommendation

At the SPAA Change Board meeting on 21 January 2016, the Change Board voted on the proposed modification. The outcome of the weighted vote is set out in the table below:

CP15/301	WEIGHTED VOTING (%)					
	Domestic Supplier		I&C <sup>12</sup> Supplier		Gas Transporter	
	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	35.39	64.61	15.58	84.42	n/a	n/a
IMPLEMENTATION DATE	35.39	64.61	15.58	84.42	n/a	n/a
IMPLEMENTATION TECHNIQUE	35.39	64.61	15.58	84.42	n/a	n/a

In accordance with the weighted vote procedure,<sup>13</sup> the Change Board considered that CP15/301 would not better facilitate the relevant objectives of the SPAA therefore did not recommend its approval.

<sup>9</sup> Schedule 11: The Procedure for Agreement of Change of Supplier Reading and the Resolution of Disputed Change of Supplier Readings

<sup>10</sup> Schedule 12: BISCUIT Data Dictionary

<sup>11</sup> Change Board is established and constituted pursuant and in accordance with the SPAA.

<sup>12</sup> Industrial and commercial.

<sup>13</sup> The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

## **Our decision**

We have considered the views of the Change Board and the Change Report dated 15 February 2016 and have concluded that implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of the SPAA.<sup>14</sup>

## **Reasons for our decision**

We are concerned that only the six largest suppliers submitted a response to the final consultation on CP15/301, and of those, only two were in favour of its implementation. However, we note that this was the last of several consultations and other suppliers had provided comments earlier in the process. We have had regard to these earlier comments where appropriate.

Like the SPAA Change Board, we have assessed CP15/301 against relevant objective b) of the SPAA, but have additionally considered relevant objective a). We agree that it would have a neutral impact on the other relevant objectives.

### ***(a) the development, maintenance and operation of an efficient, coordinated and economical change of supplier process***

We are aware that there may be efficiency gains if suppliers are able to align their back office processes across both gas and electricity. Given that P302 has been implemented, we acknowledge that there may therefore be such efficiency gains if CP15/301 is also implemented. However, no evidence has been presented to us to suggest that this will be the case. Indeed, some of the respondents who were opposed to CP15/301 being implemented (either in the last, or earlier rounds of consultation) considered that the absence of clarity on how the process would operate in certain scenarios mean that there would be inconsistency in the approach taken by suppliers. Some respondents also suggested that complementary changes would in any case be required to the Uniform Network Code (UNC) which may themselves provide a more efficient alternative to CP15/301.

As previously discussed with the SPAA working group on CP15/301, we are also concerned that it has presented little evidence as to how or when the ToU registers will be used in gas, and in what volumes. In the absence of a robust business case providing further detail on the expected benefits and costs of implementing CP15/301 we are unable to conclude that this change would be economically efficient.

### ***(b) the furtherance of effective competition between Gas Suppliers and between relevant agents***

One respondent (to an early consultation) raised a concern that CP15/301 makes the incoming supplier reliant upon data provided by the outgoing supplier, with whom they have no contractual relationship. The respondent felt that this could create delays in the CoS process, including to the issue of customer bills and credits. As noted in our letter of December 2013, we consider that where possible, a party should not be reliant on competitors for the data it requires in order to meet its own and its customers' needs.

We note that the SPAA working group had originally considered an alternative option, which would enable both the outgoing and incoming supplier to independently collect the supplier start date midnight read(s) via the DCC. The incoming supplier would issue the cumulative read for validation and onward processing, including use in settlements, by Xoserve. Although some parties considered that this option would be easier to implement than the process subsequently set out in CP15/301, it was not pursued, in

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<sup>14</sup> As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supplier Licence.

part owing to a preference to be consistent with the option implemented in electricity. We understand that some parties also raised concern with the viability of the alternative described above. No alternative proposal was submitted to us for consideration.

As noted above, we consider that there may be advantages in aligning gas and electricity processes, but this is only one of several relevant considerations. The process must be appropriate for each fuel in its own right. Whilst we acknowledge that the smart metering configuration provides for ToU in both electricity and gas, we are not aware of any imminent proposals for a ToU tariff in gas. Indeed, the continuation of daily settlement in gas, as opposed to half-hourly settlement in electricity, may make this impracticable, at least in the near term. As set out in our decision on P302, we considered that the transference of multiple registers between suppliers to be an appropriate solution in electricity, in large part to obviate the complexity of agents within the electricity CoS process. This is not an issue in gas.

The proposer notes that in the absence of a process such as that proposed under CP15/301, there is no mechanism to exchange the Tariff ToU Register readings between suppliers and between relevant agents. They contend that this could lead to an increase in disputes between such parties, and therefore impact upon effective competition and customer satisfaction. We are also keen to ensure that the necessary meter reading data is shared between relevant parties. However, this must be done in an efficient manner.

We note the substantial comments provided on the legal text of the proposal, which seem to indicate that despite the considerable efforts of the proposer and the SPAA working group, there is still insufficient clarity on how this proposal will work in practice. We are concerned that without such clarity, the implementation of a new process for transferring meter reading(s) may hinder rather than improve upon the CoS process. We also share the concerns of one respondent who suggested that a separation between those meter reading(s) used for consumer billing and those submitted to Xoserve for settlement purposes may itself lead to discrepancies and disputes.

Whilst there was initially a drive to facilitate a dual fuel solution, with P302 being implemented in June 2016 this has been unachievable for some time. We also acknowledge the concern raised by one respondent, who suggested this change may be necessary in order to ensure compliance with Standard Condition 44 of their licence<sup>15</sup>. However, this licence condition seeks to ensure that a smart meter that is installed in the premises of a domestic customer may remain in place if that customer changes supplier. We do not consider that suppliers' compliance with this condition is in any way contingent upon the implementation CP15/301.

### Conclusion

Whilst we continue to support some of the principle and intent behind CP15/301, we cannot on balance conclude that the relevant objectives would be better facilitated by its implementation at this time. We would therefore encourage relevant stakeholders, including Xoserve, the DCC and gas suppliers, to re-examine the issue of transferring meter readings from DCC-enabled smart meters, and consider all viable options. This should include the relative costs of their implementation.

**Angelita Bradney**  
**Head of Smarter Markets**

Signed on behalf of the Authority and authorised for that purpose

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<sup>15</sup> Standard Condition 44: Smart Metering – Continuation of arrangements on Change of Supplier