

SUMMARY POLICY ISSUE PAPER – FOR EDAG REVIEW

Title of Paper	Need for customer differentiation in the CRS		
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Summary and recommendation

1. The issue addressed by this paper is whether the switching system needs to contain either functionality and/or indicators that allow it to distinguish domestic from non-domestic customers.
2. The term Central Registration System (CRS) is used to indicate both the 'switching system' and the Market Intelligence Service (MIS) as a whole.
3. The switching system will provide a range of functional services. The TOM v2 defines a functional service as 'an activity, or set of activities that the switching system will be required to perform'. It is expected that if the CRS needed to perform a functional service based on customer type, it would be performed by the switching system rather than the MIS.
4. The MIS will be a database and/or service holding data elements required by all participants to successfully deliver the switch. An indicator in this context could be a static flag which would identify a meter supply point as a domestic or non-domestic customer at the point of registration or a new switch or to update an existing account. It is envisaged that this flag would be contained in the MIS, as opposed to the switching system, as it would be a source of data rather than perform an active function.
5. There are a number of policy areas where we have considered whether there is a need for differential functionality based on customer type. However, only objections has left open the possibility of a different approach being taken for domestic and non-domestic customers.
6. How the issue addressed in this paper is resolved will therefore depend greatly on the final policy decisions in relation to objections following the RFI.
7. If it is decided, following the RFI, to have a dual approach to objections based on customer type, then the switching system would need to be designed and built to

account for the different processes for handling objections for domestic and non-domestic customers. The CRS would also need to include a customer type indicator for the purpose of applying the correct objections process. This indicator, which would be updated at each customer switch, would be used for the purpose of applying the correct objections process.

8. Conversely, if a consistent approach to objections is adopted for domestic and non-domestic customers, neither functionality nor an indicator would need to be built into the switching system.
9. Ofgem's stated preference is for the 'instant' approach and that it should be applied to all meter points and a flag would not be required.
10. We understand that supplier systems already contain data on customer type. As this information is already captured in their systems as part of the customer contracting and management arrangements, it would be an unnecessary cost and complexity to add a customer type indicator to the CRS. Furthermore, it would be difficult to maintain an accurate and reliable indicator for a number of reasons, including because of difficulties associated with its application such as for multi-site contracts.
11. Therefore the question to answer is whether, in the absence of needing an indicator for functional purposes, there is any other reason why we should include a customer type indicator in the CRS.
12. **EDAG are invited to comment on the following recommendation:**
 - The CRS would not contain any indicators or functional services relating to customer type. That is, there would be nothing in the switching system or CRS to distinguish domestic from non-domestic customers.
 - This can only be a provisional recommendation at this point as the Design Authority have agreed to model different objections scenarios.
 - If, following the RFI it is decided non-domestic and domestic objections should be treated differently, then a way of differentiating between customer types will be required.
 - For now, we are not considering this issue further ie how an indicator would be developed and maintained in practice.

Analysis

13. 'Domestic customer' and 'Non-domestic customer' are defined in the standard conditions of electricity and gas supply licences (see Appendix 1 of the main paper).
14. Electricity and gas suppliers currently have different ways of distinguishing domestic and non-domestic customers.

- Electricity suppliers infer customer type from profile class.
 - Gas suppliers distinguish customer type by way of Market Sector Code which identifies a customer as D for 'domestic' or I for 'industrial and commercial' to show the purpose for which the gas is used. This information is updated at every new switch.
15. One of the current uses of this information is for calculating DCC charging. The Smart Energy Code (SEC) sets out the Data Communications Company's (DCC's) charging objectives and calculations. The methodology provides for different means of calculating fixed charges, depending on whether a smart metering system is for domestic or non-domestic premises.
 16. The SEC states that for electricity, the DCC will estimate the number of domestic and non-domestic premises based on registration data using profile class. For gas, it states that the DCC will use Market Sector Code. For both electricity and gas, the SEC states that DCC will use some other sensible proxy where the registration data does not readily identify whether a premises is domestic or non-domestic.
 17. The intent for DCC charging is that in the future, post 2020 with the rollout of smart meters, it will move from a market share basis to an enrolled smart meter basis, which will do away with the need to divide the market up by customer type for these purposes.
 18. Gas suppliers and shippers also have obligations to maintain the Market Sector Code. While the registration system is the preferred and common way to carry out these obligations, there is an alternative. This is a file flow, known as UK Link file format T73 File (Market Sector Code Change Request) which has a corresponding response file known as T74 File. While this may not be as rigorous or efficient as the registration process, it may provide a suitable alternative in the interim period to future DCC charging obligations and provide a suitable means for shippers and suppliers to meet their obligations.
 19. Consideration was given to whether microbusinesses could constitute a third category of customers. However none of the policy issues found a need for the CRS to differentiate based on whether a customer is non-domestic or a microbusiness. Furthermore, microbusinesses are not a feature of the current gas and electricity registration systems. Therefore it is proposed that this not be pursued any further.
 20. On the issue of whether the CRS would need to distinguish customer type in a portfolio report to support a supplier of last resort event, it was decided that the breakdown of the failed supplier's portfolio by customer type will be obtained from the failed supplier, rather than the CRS. The CRS will not be relied upon for

customer type information. This is consistent with what is stated in the CRS Management of a Supplier of Last Resort Event Policy Paper.

21. One benefit of having the CRS contain a customer type indicator is that this information could be stored in one location, rather than having to source it from various supplier systems, such as third party intermediaries. Potential users of the CRS, such as third party intermediaries, may also have some value for this information, such as validation of customer type or for marketing purposes. However, it is hard to say whether customers would experience a more reliable or targeted service if TPIs had access to this information.

Summary of key points from stakeholders

22. A few User Group members challenged the recommendation, suggesting that (a) there may be future requirements for a domestic / non-domestic indicator and (b) that experience of DCC indicates that it could be cheaper to include this functionality now rather than introduce it as a modification.
23. While it is accepted that retrofitting functionality into the CRS may be a costly exercise, it is not possible to design and build functionality for a functional operation that does not yet exist.
24. Other comments from User Group members fed into the further development of the main paper.