

SUMMARY POLICY ISSUE PAPER – FOR DA DISCUSSION

Title of Paper	Need for customer differentiation in the CRS		
Issue Ref	N/A	Date: 13 December 2016	
Issue Owner / Author	Jenny Boothe / Harshini Samarakoon		
Discussed at User Group	15 August 2016	Discussion at EDAG	15 September 2016
Issued to DA	21 September 2016	Discussion at DA	28 September 2016

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'.
4. The MIS would 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. 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, the CRS will need to be designed and built to have an indicator to identify which process to apply to each customer and functionality to handle the different processes based on customer type.

8. Conversely, if a consistent approach to objections is adopted for domestic and non-domestic customers, it would not be necessary to have either functionality or an indicator built into the system. However, including a customer type indicator in the CRS could have other uses, outside of the objections process.
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 for this process.
10. DA is invited to agree that the following proposals are appropriate to be included in Design Baseline 1:
 - Our initial preference was to not include a customer type indicator in the CRS on the grounds that it is the easiest to implement and maintain, but also that it is most in keeping with the scope of the switching programme.
 - However, industry told us that it is vital for customer type information to be held centrally in the CRS, from both a compliance perspective and for the benefit of GTs and DNOs. Suppliers have said that it would be more costly for them to exclude this information from the CRS than to have it in there.
 - To include a customer type indicator in the CRS will require industry to bear two sets of costs. The first will be the costs associated with setting out governance arrangements around setting reasonable time limits for suppliers to update this information and have it audited. The second is to do with the cost of actually building the indicator into the system and updating it.
 - The data migration work that the Delivery Strategy workstream is doing will inform the population of customer type data in the CRS. This information is currently held via the Market Sector Code in UKLink for gas and inferred by profile class for electricity in MPAS.
 - Therefore even though our initial preferred option was to not include a customer type indicator in the CRS, on balance, as industry has said that they want an indicator and are willing to pay for it, our position for Design Baseline 1 is that we do include a customer type indicator in the CRS.

Analysis

11. '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).
12. 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 the 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. It is mandatory for this information to be updated at every new switch.

13. 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.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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

20. A few User Group members challenged the initial recommendation to not have a customer type indicator in the CRS, 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.
21. While EDAG acknowledged the difficulty with applying a consistent definition of domestic and non-domestic customer and premises, they unanimously held that the benefits outweigh the costs and that it is necessary to include a customer type indicator in the CRS.
22. EDAG members strongly noted the value of holding customer type information centrally as a way for suppliers to ensure they are correctly complying with various pieces of legislation. It was also pointed out that it is vital for DNOs and GTs that this information is held centrally.
23. EDAG supported the view that the supplier would need to identify in the CRS whether a customer is domestic or non-domestic at the creation of a meter supply point, at every switch request and updated if necessary during the life of a contract, and that there will be time limits around the updating of this information.
24. EDAG also discussed whether a customer type indicator should be binary. It was decided that it is either domestic or non-domestic and therefore can only be binary, especially from a trading perspective and with reference to the definitions in the standard supply licence conditions. Where there is the potential for a customer to be identified as domestic or non-domestic due to difficulties with correctly applying the definition, the supplier will need to take a view as to whether to identify the customer as domestic or non-domestic.
25. Members unanimously held that the CRS should be able to differentiate between domestic and non-domestic customers and suppliers should determine whether a customer is domestic or non-domestic as they are the ones that have a contractual relationship with the customer.

DA Decision Log

Date of DA Meeting	28 September 2016
Decisions (from Ofgem website)	Approved as baseline. The DA agreed to baseline the recommendation made in the Need for Customer Differentiation in the policy paper. The DA agreed that a customer type indicator showing if the premises was being used for Domestic or Non-Domestic purposes

	should be included in the Switching Service. Industry have argued that they need an indicator and are willing to provide this information and pay for it. Therefore the position for Design Baseline 1 is to include a customer type indicator in the Switching Service.
Notes	<ul style="list-style-type: none">•