

Modification proposal:	<b>Supply Point Administration Agreement (SPAA) Change Proposals (CP): 16/351: 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:	10/07/2017	Implementation date:	n/a

## Background

When a customer initiates 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.

We asked that the working 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.

In response to our request, CP15/301 (Changes to the Change of Supplier Meter Reading Process for Smart Meters) was raised by EDF Energy to introduce similar changes to the gas market to those implemented in the electricity market. At the SPAA Change Board meeting of 21 January 2016, CP15/301 was not recommended for approval. We issued our decision to reject CP15/301<sup>5</sup> on 5 April 2016. In summary, our reasons to reject CP15/301 were:

- no evidence was presented that the modification would lead to efficiency gains.
- there was still a lack of clarity among respondents on how the proposed arrangements would work in a number of contexts.
- little evidence had been presented as to how or when the Time of Use registers would be used in gas, and in what volumes.

<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> <https://www.ofgem.gov.uk/publications-and-updates/open-letter-potential-reforms-change-supplier-cos-meter-read-process-smart-gas-meters>

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/supply-point-administration-agreement-spaa-change-proposal-cp-15301-changes-change-supplier-meter-reading-process-smart-meters>

In the absence of a robust business case providing further detail on the expected benefits and costs of implementing CP15/301, we were unable to conclude that this change would be economically efficient.

### The modification proposal

In our decision letter, we encouraged “*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.*” We added that “*this re-examination should include the relative costs of their implementation.*”

Further to that suggestion, the Smart Change of Supplier Meter Reading Working Group reconsidered the issue, resulting in the subsequent proposal CP16/351, which EDF Energy sponsored on behalf of the group.

The CP16/351 would:

- Add a new schedule that would detail the process for a CoS on a smart meter enrolled in the DCC;
- Update Schedule 11 (*The Procedure for Agreement of Change of Supplier Reading and the Resolution of Disputed Change of Supplier Readings*) to align it with the new process and to enable disputes to be raised as a result of incorrect smart meter readings or the absence of a smart meter reading on the Smart Meter Read Flow;
- Change Schedule 12 (*‘BISCUIT’ data dictionary*) as a consequence of the introduction of four optional fields in Shipper Agreed Read to cater for the Time of Use Register readings; and
- Change Schedule 29 (*Technical glossary*) to introduce new definitions required.

### Change Board<sup>6</sup> recommendation

At the SPAA Change Board meeting on 16 February 2017, the Change Board voted on the proposed modification. The outcome of the weighted vote is set out in the table below:

CP 16/351	WEIGHTED VOTING (%)					
	Domestic Supplier		I&C <sup>7</sup> Supplier		Gas Transporter	
	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	49.43%	50.57%	48.27%	51.73%	n/a	n/a
IMPLEMENTATION DATE	49.43%	50.57%	48.27%	51.73%	n/a	n/a
IMPLEMENTATION TECHNIQUE	82.56%	17.44%	53.78%	46.22%	n/a	n/a

In accordance with the weighted vote procedure,<sup>8</sup> CP16/351 failed to achieve the required 65% level of support. The Change Board recommendation was, therefore, that the proposal should not be implemented.

### Our decision

We have considered the views of the Change Board and the Change Report dated 13 March 2017 and have concluded that:

<sup>6</sup> Change Board is established and constituted pursuant and in accordance with the SPAA.

<sup>7</sup> Industrial and commercial.

<sup>8</sup> The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

- implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of the SPAA.<sup>9</sup>

### **Reasons for our decision**

We consider this modification proposal will not better facilitate SPAA objectives (a), (b) and (c), and that it would have a neutral impact on the other relevant objectives. In our view, the consideration of the proposal's deficiencies could apply generally to any or all of objectives (a), (b) or (c) rather than specifically to only one of them.

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

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

***(c) the promotion of efficiency in the implementation and administration of the supply point administration arrangements***

A number of respondents to the consultations on the modification made detailed comments highlighting that, in their opinion, a number of areas the processes affected by this change proposal would need further clarification in order for these changes to be effective. This suggests that the benefits in terms of an efficiency and competition are still unclear.

We note concerns raised by one respondent that the proposed arrangements still allow for readings to be erroneously populated in tariff registers, which could impact negatively on customer billing. A further respondent suggested that the risks surrounding increased flows of sensitive personal data need to be better understood and mitigated.

In rejecting CP15/301, we commented that, in the absence of a robust business case, the evidence to support the changes is missing. In bringing forward CP16/351, parties noted that that

*"it is uncommon for parties to issue their costs in support of change proposals under the SPAA governance framework. Instead, Parties individually assess the costs and benefits during the consultation phase, and express their approval or disagreement at the Change Board. As such the SPAA Change Process provides the opportunity for individual companies to assess the business case for the change."*

We don't agree that the votes of individual parties effectively constitute a business case, or replace the need for one. It is of course possible that an overall positive business case could be made to support the changes if costs and benefits were considered on an overall basis, as opposed to piecemeal for the individual voting parties. This overall case has not been made.

### **Conclusion**

Whilst we remain sympathetic to the intent of CP16/351, we cannot, at this time, conclude that the relevant objectives would be better facilitated by its implementation.

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<sup>9</sup> As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supplier Licence.

Since our 2013 letter to relevant code bodies on the issue of smart CoS meter read processes, a significant amount of progress has been made on Ofgem's Switching Programme, which was formally launched as a significant code review (SCR) in November 2015. In particular, good progress has been made on the development of end-to-end business processes, which will include provisions relating to the CoS read. Subject to our choice of reform package, which is currently being considered in light of responses to the January 2017 request for information, it is likely that any new proposal on CoS would have a very short shelf life, or indeed be superseded even before it is implemented.

Therefore, whilst we appreciate the efforts of the Smart Change of Supplier Meter Reading Working Group, to the extent that further examination of the issue raised in our 2013 letter overlaps with the scope of the SCR, this may not be an efficient use of resources at this time. Under the SCR arrangements,<sup>10</sup> we shall receive notice of any future proposal that may fall within the scope of the SCR. We will make a decision on a case by case basis as to whether any such proposals should be suspended while the SCR is ongoing.

**Rachel Clark**

**Switching Programme Director**

Signed on behalf of the Authority and authorised for that purpose

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<sup>10</sup> As set out in Standard Licence Condition 30.9 (d) (ii) of the Gas Supply Licence