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Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes

We welcome the opportunity to respond to Ofgem's consultation document of 17th June 2019.

National Grid Metering (NGM) is a subsidiary of National Grid Gas (NGG), providing metering services to around 9.5 million Domestic and Industrial and Commercial traditional gas meters owned by NGG. NGM is therefore the largest meter asset manager (MAM) of traditional meters. NGG also carries the National Meter Manager (NMM) obligation for traditional meters in the transition to smart metering, so both NGG and NGM are significantly impacted by activities in the retail energy market.

For clarity, we have set out the consultation questions below, along with our response to each, where we believe it is appropriate for us to comment.

Q1.1. Do you agree that the mission statement and objectives encapsulate the functions of the code, can drive activity of the governance functions and assist decision-making on changes to codes?

NGM considers the mission statement and objectives set out to appropriately represent the purpose of the REC. The only aspect of the proposed changes that is not referenced is the stated drive to achieve a consistency of activity across fuels and to encourage a more cohesive and transparent market. We would like to see these explicitly referenced in a fourth objective.

Q1.3. Do you consider that the methodology as set out above is appropriate?

NGM supports the methodology as set out, specifically the function of the REC Manager and the principles against which they will operate. We are particularly supportive of the stated focus on quality-based deliverables and outcomes – we believe this emphasis will ultimately provide the most beneficial and enduring consumer benefits.

Q1.4. Do you have any comments on the scope of services?

We broadly support the scope of services set out but would appreciate further clarification on the considerations which will be applied to Code Change Management. The recent drive towards aggregated change packages rather than incremental changes demonstrates a recognition that such

an approach engenders overall alignment. We also believe that aggregation helps to minimise stresses caused to market participants in managing resulting changes.

Q1.7. Do you agree with our proposals on the set-up of the PAB? Do you foresee any problems with these proposals?

We can see how diversification of the PAB members can support flexibility, resilience and responsiveness to rapidly changing consumer expectations. We are particularly keen to see participants who specialise in technology and data accessibility and management included.

We are also pleased to see Ofgem recognise the role that members drawn from operational roles can play. As these roles frequently form the direct interface between consumer and service delivery, we believe meter equipment managers (MEMs) are well placed to provide insight not only into consumer expectations but also the physical issues that can challenge the implementation of technology. We also believe that many solutions will require true end-to-end visibility to accurately assess cost and effectiveness so would welcome the PAB including members who can provide this.

Q2.1. Do you agree with our proposed choreography of the Retail Code Consolidation SCR, Switching Programme SCR and associated licence changes, including our proposals that the Switching Programme changes will be introduced as “dormant” before being made “active” following Authority direction?

The choreography of the SCRs and associated licences changes seems generally sensible. However, given the dependency on both the Faster Switching programme and the transition to smart metering, we recognise the need for some fluidity. We welcome the proposal to implement revised governance arrangements on 01st April 2021 and agree that providing a degree of certainty will be critical in achieving the remaining changes required. We do, however, seek further clarification on the suggested transition of the MRA Service Company and SPAA Ltd to RECCo control. We believe both organisations play a critical role in the efficient operation of the market and do not believe that the orderly run down of the existing code and company requirements can be appropriately transitioned without their full participation.

Q2.2. Do you agree with the approach we have described for managing the delivery of the Switching Programme SCR and the Retail Code Consolidation SCR?

NGM agrees with the approach Ofgem have set out for managing the delivery of the Switching Programme SCR and Retail Code Consolidation SCR. The timetable for implementation of transitional and enduring REC schedules and consequential changes (Table 2) demonstrates the complexity of the changes being undertaken so the need to provide as much certainty as possible is vital. Implementing and maintaining “living documents” seems the most sensible approach to safeguarding this certainty whilst retaining sufficient flexibility to accommodate and further changes identified.

Q3.1. & Q3.2. & Q3.3. Do you agree that the draft Registration Services Schedule/Address Management Schedule/Data Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

We agree that the draft Schedules broadly meet the required standards set out in the Regulatory Design Principles but would prefer to see responsibility for data elements more specifically set out, particularly in relation to the Address Management Schedule. The REL address represents the focal point for energy Supplier, consumer and MEM alike so it is critical that accurate population and maintenance of this data is undertaken in order for all other resulting processes to correctly operate.

Alignment with the Data Management Schedule is therefore central to the effective operation of all three so NGM asserts that governance should be central and, ideally, summarised to the PAB for full end-to-end visibility of market function.

Q3.8. Do you believe there is merit in extending obligations relating to the resolution of Erroneous Switches, Crossed Meters, Switch Meter Read Problems and Duplicate Meter Points to micro-business consumers or should these requirements more generally apply to all Non-Domestic Energy Suppliers? For Switch Meter Read Problems, should the scope be extended to cover domestic and micro-business consumers who are settled on a Half-Hourly basis?

NGM strongly supports the overarching ambition of the Retail Energy Code to drive alignment, transparency and consistency across the energy market. We therefore believe that obligations should be applicable equally to any energy Supplier participating in the market, regardless of the sector they operate in. As such, we can see how erroneous switches, crossed metered and switch meter read problems could occur elsewhere other than simply domestic or micro-business consumer locations so cannot see why the obligations should not apply to all non-domestic energy Suppliers. In the same way, we also believe that the scope for addressing switch meter read problems should be extended to cover all consumers who are settled on a half-hourly basis.

Q3.10. Do you agree that the draft Prepayment Arrangements Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

We agree that it is not appropriate to align legacy gas and electricity prepayment operational processes in light of the transition to smart metering and can therefore see why Ofgem believe that the implementation of high level dual fuel obligations should be undertaken. We have some concern, however, that it may not be reasonable to expect outcomes and obligations to be consistently achieved if systems, services and hardware are not aligned. We therefore support the replication of MRA and SPAA processes with only minor amendment, although we do welcome the removal of those provisions that are a duplication of obligations already addressed in primary legislation, licence and other codes.

Q3.12. Do you agree that the draft Data Access Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

We agree that the draft Data Access Schedule meets the required standards set out in the Regulatory Design Principles and particularly the development of the Data Access Matrix and Data Access Agreement. We believe that the close management of data is integral to the overall effectiveness and efficiency of the market, and the processes operating across traditional, smart, domestic and non-domestic sectors alike. Oversight by the PAB to ensure consistent industry application is therefore welcomed.

Q3.14. Do you agree that obligations should be placed on networks and suppliers to ensure that the RECCo procures gas and electricity enquiry services and that obligations in the Gas Transporter and Distribution Licences can be removed?

NGM supports the removal of the obligations in the Gas Transporter and Distribution Licences pertaining to the procurement of enquiry services. It makes sense that this should rest with the RECCo in light of the alignment of switching, settlement and registration activities and again supports the consistent application of the Data Access Matrix and Agreement.

We can see that the management of enquiry services should more appropriately be located closer to the Supplier and consumer relationship but that exact alignment of gas and electricity services will be difficult. We therefore believe that the proposed approach set out represents the most suitable option.

Q4.1. Do you agree that Ofgem should lead an end-to-end process to develop the code modifications to deliver retail code consolidation?

We support the proposal for Ofgem to lead an end-to-end process to develop the code modifications to deliver retail code consolidation. As set out previously, we believe the success of the transition programme will centre on aggregation and alignment – this will be far harder to achieve if modification proposals are managed in a fragmented fashion.

Q4.2. Do you agree with the proposed scope of the Retail Code Consolidation SCR? Do you think any additional areas should be in scope?

The proposed scope of the Retail Code Consolidation SCR seems appropriate at this stage. Given that Ofgem will launch the SCR in Q4 of this year, there remains time to develop the scope further and in light of progression of both the Faster Switching Programme and transition to smart metering.

Q4.7. Do you agree that the requirements currently held in SPAA Schedule 22 and the RGMA Baseline related to gas meter agent appointments and MDD should be mandatory for domestic and non-domestic Suppliers? If not, why not?

We strongly agree that the requirements currently held in SPAA Schedule 22 and the RGMA Baseline should be mandatory for domestic and non-domestic Suppliers. We believe that the market (and consumer) would be better served by the enforcement of requirements which are uniform for all participants. By doing so, expected behaviours and responsibilities can be more clearly set out, assurance of these may then in turn be more efficient to manage and any changes can more directly be implemented. Moreover, it may also increase opportunities for competition in the market as the same requirements will exist for all Suppliers, regardless of the sector they choose to operate in. For some, this may mean that they are more likely to participate in a wider range of activities.

Q4.8. Do you agree with our preferred option for governance of agent appointments and MDD, outlined as Option 3 above?

NGM can see that Option 3 as the most practicable way forward. We do not see that retaining separation of the REC from gas agent appointment provisions, along with the relevant metering MDD, is helpful to the overall purpose of the REC and would potentially result in fragmentation, complexity and inefficiency. The optimum consumer and market experience is more likely to be achieved by harmonisation, where possible.

Q4.9. Do you support our proposal for consolidating the metering COPs into the REC?

We support Ofgem's proposal for consolidating the metering COPs into the REC and believe that a common governance framework has the potential to deliver greater improvements in end-to-end metering activities than in retaining separation. Consolidation offers an opportunity to drive efficiency and to more easily share and embed best practice. We do, however, seek some clarification as to how the individual specialisation within each current COP will be accommodated. We are also supportive of Ofgem's decision to retain the existing approach to the governance of technical meter specifications.

Q4.10. Do you think MEMs should be parties to the REC?

We do not agree with Ofgem's proposal that MEMs should be parties to the REC. Although MEM activities are strongly linked to the retail market and they are most likely to have face to face contact with the consumer, they do so only as a result of their role as service and/or asset provider to the Supplier. Indeed, on many occasions, the consumer does not see the MEM as a separate entity but as a representative of the Supplier.

We agree that it is vital that "master data" is accurately collected, populated and maintained and that much of this originates from the MEM but do not believe that current arrangements are ambiguous, rather that they are not sufficiently monitored and enforced. We do not believe that bringing MEMs directly into the REC will necessarily improve this any more than retaining the current bilateral commercial model between MEMs and Suppliers. If sufficient clarity regarding the nature and quality of master data exists in the REC, to which the Suppliers would be party, the commercial arrangements the Suppliers then have in place with the various MEMs can replicate this and accountability remains clear. We believe that the performance of the MEM can best be driven by establishing a clear and close relationship with the Supplier, through which the obligations of the REC can be disseminated.

As Ofgem point out, MEMs are not licenced parties. We are concerned that creating additional assurance obligations on MEMs with an additional party (in this case, the REC) may create inefficiency and additional cost that can be avoided.

If you have any further questions regarding this response, please contact me on 0121 424 8397 or 07866 840703.

Yours faithfully,

By email

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