

Non-domestic suppliers, meter
asset managers, meter
operators, non-domestic
consumers and their
representatives and other
interested parties

Date: 28 November 2016

Dear colleague

Migration of consumers in profile classes 5-8 to half hourly settlement

This letter seeks to remind suppliers that compliance with the industry codes is an obligation under their licence and provide some clarity around our approach to enforcement where parties fail to meet their P272¹ obligations under the Balancing and Settlement Code (BSC). This letter also clarifies our approach where a supplier acquires a customer close to the P272 implementation date.

We take regulatory deadlines very seriously and have taken enforcement action in the past when industry parties have failed to comply with them. The factors we take into account when considering enforcement action are set out in our Enforcement Guidelines.²

Background

Standard Licence Condition (SLC) 12 of the electricity supply licence³ prohibits suppliers from supplying customers in profile classes 5-8 through anything but an advanced meter,⁴ unless, despite taking all reasonable steps, they are unable to do so. In October 2014, we approved a change to the BSC, known as P272, which requires suppliers to settle customers caught under SLC 12 (i.e. those in profile classes 5-8) using their half hourly consumption data by 1 April 2017.

In June 2015, we approved P322,⁵ to ensure an orderly migration to half hourly settlement (HHS), by requiring suppliers to migrate customers within 45 business days of contract renewal or when they acquire the customer. P322 does not replace P272, which means that any customers, including those acquired fewer than 45 business days before the P272 implementation date, should still be migrated by 1 April 2017. P322 also requires suppliers to submit Supplier Migration Plans (SMPs) to the Performance Assurance Board⁶ (PAB), setting out how they will meet the implementation date. Suppliers provide the PAB with monthly updates on their progress against their SMPs.

¹ [Ofgem decision on P272](#)

² [The Enforcement Guidelines](#)

³ [Electricity Supply Standard Licence Conditions](#)

⁴ An advanced meter must be capable of recording at least half hourly consumption and be able to be read remotely.

⁵ [Ofgem decision on P322](#)

⁶ The PAB conducts and administers activities to provide assurance that all participants in the BSC arrangements are suitably qualified and that the relevant standards are maintained.

SLC 11.2 requires suppliers to comply with the BSC, which means that non-compliance with the BSC is a breach of their electricity supply licence. Therefore, if a supplier does not meet their P272 obligations, we will consider whether to take enforcement action against that supplier. Such decisions will be made with reference to our Enforcement Guidelines.

Progress with the migration

We have been monitoring suppliers' progress with migrating customers to HHS through attendance at the PAB and meetings with ELEXON, who are working with suppliers to address issues and ensure compliance. We note that recent updates to suppliers' SMPs suggest that a significant number of customers are not planned to be migrated to HHS until the final few months of the migration period. Suppliers are reminded that they are required to settle their customers with advanced meters in profile classes 5-8 using their half hourly consumption data by 1 April 2017. We expect suppliers to work together among themselves and with other industry parties to address any issues that are affecting progress.

The settlement performance standards in the BSC include requirements around accuracy and timeliness. Inefficiencies in the settlement process have implications for all other suppliers and, indirectly, their customers. When implementing P272 and P322, we expect suppliers to be mindful of their other obligations under the BSC, particularly with respect to the settlement performance standards.

Late acquisitions

We understand some suppliers expect to acquire customers towards the end of the implementation period and are concerned that they will have less time to migrate them to HHS by 1 April 2017. We recognise the process required to migrate customers to HHS may make it difficult for suppliers to achieve it for all of their late acquisitions by the deadline. When deciding whether to take enforcement action for a breach of SLC 11, we consider that, where a supplier has credible plans in place to migrate new customers within 45 business days and is already in the process of doing so, this reduces any impact on consumers and, as such, the likelihood of Ofgem prioritising enforcement action in respect of such a breach.

Post-implementation date action

If any suppliers fail to meet the implementation date (except where it is due to new customers, as referred to above), we expect them to migrate their remaining customers as soon as possible. As noted previously, we take deadlines seriously and have opened enforcement cases in the past where parties have failed to meet them.

When deciding whether to open a case for failing to meet the P272 deadline, factors we will take into account include:

- the impact on consumers;
- how close suppliers are to being compliant;
- whether suppliers are taking action to address the situation, including whether they have a credible plan for becoming compliant with the BSC;
- any actions taken by the supplier to remove consumer harm; and
- suppliers' progress with migrating recently acquired customers.

Next steps

We are working with ELEXON to monitor suppliers' progress against their SMPs. After the implementation date, we will continue to work with ELEXON to monitor whether suppliers have complied with their obligations, including their compliance in respect of newly acquired customers. In the event of non-compliance, we will consider whether to prioritise opening an investigation on the basis of the facts, as set out above.

Yours sincerely,

Cathryn Scott
Partner