

Rachel Clark
Switching Programme
Ofgem
9 Millbank
London
SW1P 3GE

Abigail Cardall
Regulation Manager

abigail.cardall@nationalgrid.com
Direct tel +44 (0)121 424 8397

www.nationalgrid.com

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Delivering Faster and More Reliable Switching: proposed new switching arrangements – consultation response from National Grid Metering

We welcome the opportunity to respond to Ofgem’s consultation document of 21st September 2017.

National Grid Metering (NGM) is a subsidiary of National Grid Gas (NGG), providing metering services to around 12 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 will be significantly impacted by the transition from traditional metering as it becomes a smaller, more marginal activity.

We have chosen not to respond to all of the consultation questions as some are specific to energy suppliers and the processes they operate with their customers. 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. Do you agree with our assessments that RP2a provides the best value option to reform the switching arrangements for consumers and with the best supporting analysis presented in this consultation and the accompanying IA?

We broadly agree that RP2a has the potential to deliver the best value option to reform switching arrangements. We fully support Ofgem’s drive to cleanse and align industry data and strongly believe that this has the potential to bring significant benefits to consumers and industry participants alike. We would encourage the utilisation of existing industry infrastructure wherever possible to minimise transition risk and possible additional costs and provide the best opportunity for success, given the degree of change already underway in the industry.

We tend to agree that RP0 does not seem sensible – centralisation and management of smart meter information via the DCC already offers clear benefits to the switching process but this does not apply in the same way to traditional meters. RP1 offers alignment between electricity and gas processes for both smart and traditional meters, reduces the overall switching process time and utilises existing systems and infrastructure (with some modification). We are not convinced that RP1 offers “significantly lower improvements to reliability” if the initial data cleansing, population and management requirements are clearly defined and applied. However, overall, we accept that RP2a provides the best opportunity to achieve improved switching objectives and may provide consumers with an added incentive to opt for a smart meter, thus reinforcing the final stages of the roll-out programme.

Q2. Do you agree that CSS should include an annulment feature which losing Suppliers can use to prevent erroneous switches?

We can see the benefit to consumers of minimising instances of erroneous switches by the inclusion of an annulment feature. We note Ofgem's concern regarding the potential for misuse and would suggest that provision of evidence of a contract by the new supplier would reduce this risk without causing excessive delay and may also help to minimise unnecessary data processing.

There may be instances where the new supplier does not have appropriate contractual arrangements with the relevant Meter Asset Provider/Manager/Operator whose asset is in situ at the Retail Energy Location (REL). It would be helpful to understand what safeguards might be included to mitigate this and whether it is Ofgem's intention to address such a situation in the Retail Energy Code drafting.

Q5. Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?

We agree that competitive procurement would be preferred in order to gain the most cost-effective service platform. To ensure this outcome is achieved, the scope of such a procurement must be detailed, robust and fixed. If sufficient surety of design, implementation and ongoing support can be established and communicated to those parties that will be interfacing with the CSS in line with procurement timescales, a commercial process should deliver the optimum outcome. We note that the potential to utilise existing UK Link infrastructure has been explored and await Ofgem's decision in due course.

Q6. Do you agree with our proposal to have a three-month transition window (aiming to protect reliability) during which time Suppliers have to meet additional requirements if switching in less than five working days?

We agree that a transition window is sensible but would suggest that a six-month period may be more realistic to protect reliability. It is essential to ensure that consumers receive a consistent and reliable service once the new processes are implemented and we believe this could be better achieved by allowing a slightly longer transition period which could be reviewed at its mid-point.

Initially, there may be a significant number of queries until such time as the standard GB address list, REL and asset information data are aligned. This will inevitably require additional resources to address and resolve within the target timescales. We would suggest it would be prudent to ensure these activities are assessed post go-live to ensure adequate resources are allocated and anomalies are rectified.

Q7. Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within five working days of the contract being entered into (subject to appropriate exceptions)?

We agree with Ofgem's proposal in principle, noting that this is potentially easier to achieve for RELs where a smart meter is in situ, rather than a traditional meter, but accept that a five day requirement still seems reasonable. In these situations, should an asset data or technical functionality query be raised, resolving these may require a site visit. Whilst we appreciate that the planned implementation date of summer 2020 would mean that the majority of metering assets would be smart, there is a risk that switching requests where traditional meters remain may not be able to be supported as cost-effectively. This situation may be exacerbated as traditional meter populations diminish and density decreases. With the increased demand for meter worker resources driven by smart meter installation demands, we already anticipate considerable challenges in this area.

Q8. Do you agree with our proposal to create a dual fuel REC to govern the new switching process and related energy retail arrangements?

We agree with the reasoning for aligning the existing gas and electricity code governance frameworks and creating a single governance code, particularly for smart meters registered with DCC. We can

also see that alignment of principles and overarching requirements would be helpful for the remaining population of traditional meters. We are keen to understand how one overall REC for all meter types can be achieved, given the inherent differences between smart and traditional meters. Alternatively, companion dual fuel RECs could be created, maximising the benefit of alignment between gas and electricity governance but accommodating the difference in asset management requirements for traditional and smart meters.

Q9. Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the Switching Programme?

The proposed initial scope of the REC seems broadly sensible but we would encourage Ofgem to include vulnerable customers, rather than defer code alignment here. For this group of consumers, switches they request may be more likely to be subject to challenge due to possible debt or tariff and meter compatibility issues. As a result, we believe it is critical that arrangements for vulnerable customers are included in the initial scope in order to ensure alignment and early recognition in developing enduring code requirements.

Q10. Do you agree with our proposal to modify the DCC's licence, in order to extend its obligations to include the management and support of the DBT and initial live operation of the CSS?

It would make sense to require DCC to manage and support both the DBT and initial live operation of CSS but only in respect of smart meters. These should already be registered with DCC, making the interfaces and operational understanding between DCC and CSS more meaningful. We do not feel that the same level of comfort may necessarily exist for traditional meters and would encourage Ofgem to consider whether an alternative remains available.

The additional responsibility of the CSS, particularly during initial live operation, may create a distraction for DCC at a time when the transition to smart meters is reaching its climax. Potentially, consumers may be better served by separating the CSS and DCC more in order to maintain clarity of purpose.

Q12. Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised SCR scope?

We support the proposal of an Ofgem-led SCR process due to the number of parties involved in the end-to-end process. We believe that it is more likely that consensus will be reached, and more quickly, if there is consistent governance, enabling the Authority to decide on modification proposals in an effective manner.

Q13. Do you have any comments on the indicative timetable for the development of the new governance framework?

We agree with Ofgem's proposal to publish the draft REC and consequential modifications to existing industry codes well in advance of planned implementation but also welcome Ofgem's acceptance that the complexity involved may result in later review of the overall implementation timescales.

IA Q1. Do you agree that our assessment of industry and public sector costs, including our approach to managing uncertainty, provides a sound basis for making a decision on a preferred reform package?

Although Ofgem's assessment of direct costs rightly recognises systems, capability upgrades, training, data cleansing and migration costs, these may be disproportionate for MAPs and MOPs of traditional assets in achieving switching timescales for a small and further declining number of meters. Cost assessment may remain speculative until clarity regarding governance changes, final systems design and the relative size of smart and traditional meter populations installed becomes clearer. As such, we believe the current assessment is a helpful indicator but not yet sound.

IA Q5. Do you agree with our assessment of the wider benefits of our reform proposals?

We can see how implementation of RP2a could lead to increased competition, improved customer service and drive further innovation of new products and services. It is reasonable to assume that any change which increases consumer engagement and improves reliability is of overall benefit but note Ofgem's recognition that the costs of developing, implementing and operating near or real-time systems could be prohibitive, particularly to smaller market participants.

Conclusion

We fully support Ofgem's aspiration to deliver faster switching to consumers and broadly agree with the proposals outlined in the consultation document. We believe that a standardised central data source will be critical in underpinning the process. Although the population of this central source will be challenging, especially where meter or tariff data cannot be obtained remotely as with a smart meter, we believe that industry-wide data improvement would be welcome and offers significant potential benefits beyond switching arrangements. We welcome the opportunity for meter providers, operators, energy suppliers and other market participants alike to resolve longstanding issues in data quality that have historically impacted the sector. Clear ownership and accountability for the data that underpins the switching process will significantly improve both the consumer experience and industry processes.

Although we have concerns that next day switching may be harder to deliver for consumers with traditional meters in situ than for those with smart meters, we recognise the need to harmonise and improve overall timescales. We do not believe it is Ofgem's intention to drive further costs into Supplier and MAM operations which could then potentially be passed on to the consumer, so would welcome Ofgem's views as to how traditional and smart metering arrangements can be balanced.

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

Yours faithfully,

By email

Abigail Cardall

Regulation Manager

National Grid Metering