

Modification proposals:	Master Registration Agreement (MRA) Change Proposal (CP) 0251; Data Transfer Catalogue (DTC) Change Proposal (CP) 3521; and MRA Agreed Procedure (MAP) CP 0293 - Balance Agreement and Transfer for Smart (BATS)		
Decision:	The Authority ¹ has decided ² to reject these modifications ³		
Target audience:	MRA Executive Committee, Parties to the MRA and other interested parties		
Date of publication:	9 March 2018	Implementation date:	N/A

Background

The three modifications were raised by Utilita Energy in order to implement and facilitate a new process – Balance Agreement and Transfer for Smart (BATS). The MRA Development Board (MDB) considered that the suite of BATS changes are interdependent and therefore a pragmatic approach would be to review them as a package of material changes all requiring Authority consent.

There is an existing process within the MRA arrangements to facilitate Change of Supply (CoS), including for customers with smart meters. This set of changes aims to facilitate a smoother Change of Supply (CoS) process for Pay As You Go (PAYG) customers.

The Modification Proposals

The changes to the MRA, the Data Transfer Catalogue (DTC) and the new MAP were all proposed by Utilita. The proposer considers the changes are required in order to facilitate a new process designed to address a number of perceived issues with the current smart CoS process, including:

- Current refund arrangements may, in the proposer’s view, cause financial detriment to prepayment customers
- The proposer considers that Wide Area Network (WAN) issues could create technical challenges in fulfilling obligations under MRA MAP 24⁴ and Supply Point Administration Agreement (SPAA) Schedule 38⁵ to change a meter’s mode to credit before Supply Start Date (SSD)
- The proposer also considers that Meter mode uncertainty may create issues for both customers and suppliers
- The proposer considers that Suppliers are writing off potential income as a result of monies owed either as a debit or small debt (debt under -£20)
- The proposer also argues that the existing Debt Assignment Protocol (DAP) is a complex and cumbersome process for prepayment customers and will not work for faster and more reliable switching arrangements.

To address these [potential] issues, MRA CP 0251 proposes to introduce a new definition and clause into the MRA to facilitate a new MRA Agreed Procedure (MAP) called the Balance Agreement and Transfer for Smart (BATS) which would replace MAP24 v1.3 - Smart Prepayment Change of Supplier Exceptions Process.

¹ 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.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ ‘Change’ and ‘modification’ are used interchangeably in this document.

⁴ MRA Agreed Procedure for Smart Prepayment Change of Supplier Exceptions Process

⁵ Smart Prepayment Change of Supplier Exceptions Process

MAP CP 0293 sets out the content of the proposed new BATS MAP, to replace MAP24 v1.3.

Data Transfer Catalogue (DTC) CP 3521 proposes changes to the DTC to facilitate the proposed new MAP. The DTC CP 3521 proposes to introduce five new Data Flows, 10 new Data Items and a modification to existing Data Item J1698 - Amount of VAT.

The Change Reports for MRA C P0251 and DTC CP 3521 state that the proposals will better facilitate Applicable MRA Objective *c)* (*to promote efficiency in implementing and administering the MRA arrangements*). The proposer considers that MRA CP 0251 and DTC CP 3521 facilitate a more robust and reliable CoS process for smart pre-payment meter (SPPM) customers by making the new supplier more certain in the initial period after taking supply and enabling customers to start operating in PAYG more quickly.

The Change Report for MAP CP 0293 states that the proposal will better facilitate Applicable MRA Objectives:

a) to develop, maintain and operate efficient, coordinated and economical procedures and practices to be followed in relation to changes of Electricity Supplier;

b) to promote effective competition between Electricity Suppliers and their agents; and

d) so far as is consistent with sub-paragraphs (a), (b) and (c), to efficiently discharge the licensee's obligations under this licence.

The proposer considers that MAP CP 0293 will better facilitate these objectives because they consider that proposed BATS changes will amend the current Smart CoS process from one that could potentially have financial impacts on customers to one, that in their view does not. It was also noted that the BATS process could also potentially support consumer choice by improving the smart CoS process.

The proposer considers that the BATS process may also facilitate more competition in the market by enabling more customers to switch without financially disadvantaging them.

MRA Development Board (MDB)⁶

At the MDB meeting on 15 January 2018, the Supplier votes rejected the proposed changes, and the Distributor and Settlement votes declared no interest.⁷

MDB recommended to the Authority that MRA CP 0251, MAP CP 0293 and DTC CP 3521 be rejected.

MDB recommended to the Authority that should MRA CP 0251, MAP CP 0293 and DTC CP 3521 be accepted, the change(s) should be implemented on the first scheduled MRA release following 12 months after an Authority decision.

Our decision

We have considered the issues raised by the modification proposals and the Change Reports received by us on 2 February 2018.⁸ We have concluded that:

⁶ The MRA Executive Committee (MEC), established pursuant to Electricity Distribution standard condition 23.7(a), delegates its decision making power in respect of proposed code modifications to MDB, a sub-committee of MEC.

⁷ Representative from the category BSC Member appointed by the BSC Agent (Elxon Ltd)

- implementation of the modification proposals MRA CP 0293, DTC CP 3521 and MAP CP 0293 will not better facilitate the applicable objectives of the MRA.

Reasons for our decision

We consider that these changes will not better facilitate the applicable objectives of the MRA set out below, and would have no impact or a neutral one on the other MRA applicable objectives.

c) to promote efficiency in implementing and administering the MRA arrangements.

The proposer considers that MRA CP 0251 and DTC CP 3521 better facilitate objective 3, by facilitating a more robust and reliable CoS process for SPPM customers. We recognise that the issues identified by the proposer could be construed as potential inefficiencies in the CoS process for Smart; however, there has not been any direct evidence provided to support the arguments raised, or to show how the introduction of a second process to sit alongside the existing DAP process will promote efficiency in implementing and administering the MRA arrangements, as described within the Change Reports for MRA CP 0251 and DTC CP 3521.

a) to develop, maintain and operate efficient, coordinated and economical procedures and practices to be followed in relation to changes of Electricity Supplier;

b) to promote effective competition between Electricity Suppliers and their agents; and

d) so far as is consistent with sub-paragraphs (a), (b) and (c), to efficiently discharge the licensee's obligations under this licence.

The proposer has set out that the introduction of the proposed new MAP under MAP CP 0293 better facilitates objectives a), b) and d). However, there was not sufficient evidence presented within the Change Report which supported the proposer's view that the new process would promote competition between Electricity suppliers and their agents (objective b)). Nor has evidence been presented that supports the proposer's consideration that the proposal would better facilitate objectives a) and d).

There is a risk that the introduction of the BATS process could be complex and expensive to implement. However, the lack of an impact assessment in any of the Change Reports makes it difficult to assess the impact on industry participants' systems, processes and costs against the potential benefits which the BATS process seeks to introduce.

Nevertheless, we are concerned that creating an additional industry process, alongside new Data Flows, will introduce complexity and potentially increased costs into the system. This could ultimately lead to increased cost to the consumer.

Overall, our view is that we have not been provided with enough evidence to support the need for a new process and the associated system change(s), or detailed analysis to demonstrate that the proposed changes would better facilitate any of the identified objectives.

Other issues

We are of the view that the credit balance assignment component of BATS has some merit, but believe further detailed analysis needs to be undertaken to ensure full

⁸ MRA modification proposals and change reports can be viewed at www.mrasco.com

advantage is made of the smart meter technology. In addition, further consideration should be given to the governance and cost benefit analysis of implementing these new arrangements. However, the approach to debt transfer is more complicated and the introduction of additional Data Flows creates more dependencies on existing industry arrangements, at a time when we consider that the industry should be examining ways to rationalise processes.

Other industry measures are in place to prevent potential detriment, particularly SPPM Switching Principles, which have not been in place long enough to allow impact to be assessed. We are of the view that they should remain under review and be refined to ensure that they are a robust set of principles which guides this part of the industry and helps to improve the customers experience at Change of Supply.

The BATS process, whilst having been developed in the SPAA Expert Group (SEG) and Issue Resolution Expert Group (IREG), still contains outstanding issues which we believe make the process less robust than needed in order to mandate its usage within the industry, including the lack of a consensus on how to address misdirected payments and data protection issues regarding customer matching.

The proposer also explained that in their view the existing DAP process is complex and cumbersome for pre-payment customers. It is worth noting that improvements were made to the DAP in December 2016 following the CMA's recommendation⁹. The gas and electricity supply licences require an outgoing supplier to facilitate the transfer of a debt of up to £500 per fuel when a PPM customer seeks to switch to a new supplier. When a customer switches, they take their debt with them and repay it to their chosen supplier.

The proposer highlighted within the Change Report that 94% of their customers with accumulated debt would follow the proposed BATS arrangement instead of the DAP. We are concerned that the existing safeguards of the DAP would not be in place within the BATS process, which is unproven and may contain new risks to customers.

The intention of moving customers off the DAP is a significant policy shift from the CMA recommendation and Ofgem's licence conditions. We could not endorse an alternate approach without having a fully assessed, developed and robust process to replace or complement the existing DAP.

Whilst we do not consider we have been presented with evidence that the implementation of these modifications would improve efficiency in the MRA procedures, or that the introduction of the BATS process is likely to have a significant impact on the promotion of competition in the electricity market, we do support further work being undertaken to refine the switching processes for SPPM customers.

Decision notice

In accordance with SLC 23 of the Electricity Distribution Licence, the Authority has decided not to approve the following modifications: MRA CP 0251, MAP CP 0293 or DTC CP 3521.

Jacqui Russell
Head of Smarter Metering

⁹ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/implementation-cma-remedies>

Signed on behalf of the Authority and authorised for that purpose