

To: Uniform Network Code (UNC)
Panel, Supply Point
Administration Agreement
(SPAA) Executive Committee,
suppliers, shippers, Meter
Reading Agents (MRAs), gas
transporters, industry bodies,
consumer representatives and
other interested parties

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Copied to: Elexon on behalf of
Issue 53 Issue Group,
Independent Gas Transporters'
(IGT) UNC chair

Dear Colleagues,

Open letter on potential reforms to the change of supplier (COS) meter read process for smart gas meters

The roll-out of smart meters, and associated improvements to communications and access to accurate data, offer opportunities to simplify and streamline the COS meter reading process.

On 6 December 2013, we published an open letter on reforming the COS meter read process for smart electricity meters.¹ We set out the outcomes we expect reforms to achieve, and how they might be realised.

We think that reforms could also be made in the gas market to support the alignment of switching and billing for gas and electricity customers.

In this letter we ask that the UNC Panel and SPAA Executive Committee set up a joint work group to consider any relevant changes to the COS meter read process to improve its efficiency in the context of smart meters and align outcomes for consumers when switching either fuel.

Context

When a customer changes supplier, a meter reading must be obtained and submitted by the new supplier² or, if this is not provided (or does not pass any validation tests) it is estimated by the Transporter. This meter read is used 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 same meter read is used to open the account with the new supplier, with future energy usage measured against this baseline meter read. The meter read is also used for

¹ <https://www.ofgem.gov.uk/publications-and-updates/open-letter-reforming-change-supplier-COS-meter-read-process-smart-electricity-meters>

² In practice, meter reads are submitted by the supplier's shipper. For the purpose of this letter we have treated these as the same party.

settlement purposes³ and delineates the responsibility for charges between old supplier and new.

In electricity, obtaining this opening and closing meter read is dependent on agents being appointed, and on the new supplier and their agents receiving data from the old supplier and their agents.⁴ These dependencies mean that suppliers must build time into the COS process to prepare for the COS meter read. Multiple information flows between parties also make the COS process prone to error. Changes are therefore needed to facilitate a fast, reliable and efficient COS process.

At the Change of Supplier Expert Group (COSEG),⁵ we identified that these dependencies between parties are much more limited in the gas market. This is because:

- There are fewer agents, with much data processing being performed centrally by the Transporter⁶ which also holds necessary data centrally.
- The only supplier agent with a significant role in meter reading, the Meter Reading Agent (MRA), is appointed in a different way to electricity agents. In electricity, agents need to be appointed against a newly acquired Meter Point Administration Number (MPAN) to validate and process reads. In gas, agents generally have contracts with suppliers for reading a portfolio of meters. When a meter point is acquired by a supplier, that meter can simply be added onto the supplier's (and subsequently their agent's) portfolio.⁷

It is also relevant that the role of MRAs is expected to reduce for smart meters with the advent of the Data and Communications Company (DCC),⁸ just as it will for the data retrieval function in electricity.

While process reforms in the gas market may be less driven by existing dependencies than in electricity, we believe 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 gas and electricity customers.

Reforms to the COS meter read process for smart electricity meters

Through discussions with COSEG we understand that the dependencies on data transfer and agent appointment in electricity could be removed by raising changes to codes to require:

- the old and new supplier to separately poll the meter for the closing and opening meter read respectively.
- the new supplier to reconfigure the meter on COS.

³ Settlement is the process for comparing the amount of energy that a gas supplier has arranged to be put on to the network with the amount of consumption attributed to their customers.

⁴ In some instances the new supplier may reappoint the old agents, which can reduce the dependencies on data exchange at COS.

⁵ COSEG included representatives from industry (both gas and electricity), government and consumer representatives. The group met between May and October of this year. A summary of the output of COSEG can be found here: <https://www.ofgem.gov.uk/publications-and-updates/summary-findings-change-supplier-expert-group-COseg>

⁶ Xoserve provides services on behalf of the large gas transporters. These include a range of functions critical to COS and settlement such as providing registration services, supply point data services, transportation billing settlement and energy balancing. More detail can be found here: <http://www.xoserve.com/index.php/our-services/>

⁷ Alternatively, the supplier can ask the customer for a read, rather than requiring an MRA to obtain it.

⁸ The DCC is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and energy service companies.

We have asked that an Issue be raised under the Balancing and Settlement Code (BSC) and an Issue Group be formed to review and consider the COSEG recommendations above, along with associated issues. This Issue Group is also free to develop and progress alternative solutions, were they to lead to a better outcome for consumers considering our aims (repeated in the first paragraph of the 'intended outcomes' section below).

On 9 December 2013, EDF Energy raised Issue 53⁹ in respect of reforms in this area. An Issue Group is being set up and has been requested to provide a progress report to Ofgem in early March 2014.

Next steps - Role for the UNC Panel and SPAA Executive Committee

We would welcome the UNC Panel and SPAA Executive Committee setting up a joint work group to review the smart gas COS meter read arrangements and to consider if any reforms might be appropriate to improve efficiency and support co-ordinated switching and billing for smart meter customers changing gas and/or electricity suppliers (including dual-fuel switches).

As part of this we recommend that the joint work group maintain a watching brief on the Issue 53 Group, sense-checking the developing electricity reforms against gas processes and any thinking on gas reforms. As noted above, we have asked the electricity Issue Group to provide us with a progress report in early March 2014. We would welcome an interim report from a gas joint working group in the summer of 2014, particularly on the implications of implementing proposed smart electricity meter read arrangements in gas, and any other improvements that may have been identified. Following this we will review appropriate timelines for next steps, bearing in mind the potential benefits of implementing any changes in electricity and gas simultaneously, where possible.

Given the ongoing work to incorporate the relevant activities of the iGTs under a Single Service Provision¹⁰, we consider it likely that any proposals brought forward by a joint working group would in due course apply to IGTs. We therefore do not consider there is a need for a separate IGT working group, but we would welcome iGT participation in the above working group, to the extent that there may be implications, particularly in the short term, beyond those that would be dealt with by Single Service Provision.

Intended outcomes of any changes in gas

Where possible, a party should not be reliant on competitors for the data it requires to meet its own and its customers' needs. We also consider that the new supplier should be able to get the information it needs to complete the COS¹¹ without needing to appoint, and rely upon, agents to do so. Where dependencies cannot be avoided, there should be effective measures in place to ensure the COS process progresses as efficiently as possible and any potential detrimental impact on competition is minimised.

Please note that in our open letter of the 6 December 2013, we welcomed any support the relevant electricity Issue Group could provide to colleagues in gas with the aim of developing consistency across both fuels. We consider that it is important to align outcomes for customers such that they benefit from efficient and co-ordinated switching and billing across fuels.

⁹ <http://www.elexon.co.uk/smq-issue/issue-53/>

¹⁰ See UNC modification proposal 440: '[Project Nexus - iGT Single Service Provision](#)'

¹¹ Including the transfer on the Supplier Start Date (SSD), the validated COS meter read (both cumulative and register reads as necessary) and the subsequent closing and opening bills.

Additional issues

Whilst not envisaged to be in scope of the joint work group described in this letter, the UNC Panel and SPAA EC may wish to be aware of the remaining gas reforms identified through COSEG.

Discussions with stakeholders identified a range of other issues in gas around adherence to, and definition of, existing processes. COSEG attendees considered that the most appropriate place to carry these issues forward would be in the proposed new gas performance assurance framework under the UNC¹². We agree that the Performance Assurance workgroup may be an appropriate forum to take these matters forward. However, noting that such a framework may not be in place until Q3 2015, we welcome views on whether there is scope to expedite this aspect of the COS reforms.¹³

We are happy to discuss this letter further with relevant groups and contribute to the development of detailed Terms of Reference for the joint working group. If you would like to discuss this letter further please contact Rachel Hay (rachel.hay@ofgem.gov.uk; 020 7901 7288).

Yours faithfully,

Rob Church
Associate Partner, Smarter Markets and Smart Metering

¹² See: www.gasgovernance.co.uk/PA/2013

¹³ For further detail please see 'Summary of findings of the Change of Supplier Expert Group', p8: <https://www.ofgem.gov.uk/ofgem-publications/84903/COSegsummary.pdf>