

0477:

Supply Point Registration – Facilitation of Faster Switching

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This modification seeks to reduce the Supply Point confirmation period following the Supply Point Objection Deadline event to 2 Business Days to enable a faster switching service for the gas consumer.



Panel consideration is due on 17 April month 2014



High Impact: Shipper organisations holding a supply point portfolio; Transporter Agency



Medium Impact: -



Low Impact: -

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About this document:

This Final Modification Report will be presented to the Panel on 17 April 2014.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.


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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it is likely to have a material impact upon self-governance criteria (i) (aa) existing or future gas consumers; and (bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes.

Why Change?

The Government has recently challenged the industry to speed up the switching process without compromising quality of service, consumer rights or adding to the cost of bills.

At the Ofgem-led Change of Supplier Expert Group and other areas of industry and public debate, it is considered that the duration of a customer transfer from one supplier to another currently takes too long and this duration is considered to create a less than effective competitive market.

Suppliers have committed to take steps to reduce the time period for customers to switch to a new supplier as soon as practicable. To ensure the wholesale settlement processes support this faster switching initiative, the timescales for the relevant change of shipper process (commonly known as the confirmation period) as defined in the UNC are to be reduced to a period of 2 Business Days following the Objection Deadline.

Solution

The solution is to reduce the period between the end of the Objection Deadline and the Supply Point Registration Date (commonly known as the confirmation period) to 2 Business Days, from the existing 7 Business Days.

Relevant Objectives

Implementation of this modification will facilitate Relevant Objective: d) Securing of effective competition:

The modification will reduce the timeframe for the change of supplier process, providing benefits for consumers as they will be able to change their supplier considerably faster than under the incumbent arrangements. A quicker process will increase consumer confidence and engagement in the change of supplier process and thus positively assist effective competition between suppliers.

Changes will be required to the central systems to facilitate this change. Xoserve has provided a high level cost assessment of around £1m with a project duration of around 10 months to complete the central system changes.

Shippers will also face individual costs associated with the implementation of the proposed change; these costs will be specific to shippers and have not yet been assessed.

Implementation

No implementation date is proposed for this modification, however in keeping with suppliers' commitment to the Government to deliver a faster switching solution, the proposer seeks the earliest possible implementation date, potentially during Q4 2014.

2 Why Change?

Presently the UNC sets out the timelines for the Supply Point Registration Process. This includes a period (commonly known as the confirmation period) between the end of the Objection Deadline (TPD G2.8.1 (b)) and the Proposed Supply Point Registration Date (TPD G2.5.7). This confirmation period is currently 7 Business Days and contributes significantly to the duration of a change of supplier or new registration event.

It should be noted that this solution may have some implications which should be assessed by the workgroup; these include:

- The transfer files are currently sent to the incoming shipper between D-7 and D-5 when the change of shipper event is confirmed (i.e. cannot be stopped). Unless other provisions are created, the trigger to send these files will move to D-2 and they would be sent during D-2.
- The opening read window. Currently the incoming shipper read is required to be obtained between D-5 and D+5 (TPD M3.8.3) and submitted by 16:00 hrs on D+10. The revised timing of the transfer files (meter information) will mean that the confirmation of transfer will occur after the opening read window opens. In practice, the proposer considers that this should not be an issue as meter readings cannot be provided by a shipper (they will be rejected by Xoserve) until the supply is within its ownership at D.
- The Proposed Supply Point Registration Date. (TPD G2.5.8 (b)) states that the earliest a site can be registered is *'not less than 20 Calendar Days commencing on the Day after the Supply Point Confirmation is submitted'*. The 20 Calendar Days value will need to be amended as part of the legal text to enable a faster switch to occur, for example to 15 Calendar Days. It is recommended that this issue is discussed during modification development to consider the most appropriate value to use.

The diagrams in Appendices show current and proposed arrangements.

3 Solution

The solution is to reduce the period between the end of the Objection Deadline and the Supply Point Registration Date (commonly known as the confirmation period) to 2 Business Days, from the existing 7 Business Days and to align the Transfer File submissions to the proposed revised timeline.

Business Rules

1. The proposed registration date shall be not more than 30 Supply Point Systems Business Days after the Supply point confirmation is submitted. (G2.5.8(a)) – No change
2. The proposed registration date shall be not less than 14 Calendar Days commencing on the Day after the Supply Point Confirmation is submitted. (G2.5.8(b)) – (Currently 20 Calendar Days)
3. Confirmation of an Existing Supply Point already Withdrawn, the Proposed Supply Point Registration Date shall not be less than 4 Supply Point Systems Business Days following the date of receipt. (G2.5.8(b)(i)) – (Currently 8 Supply Point Systems Business Days)
4. Where there is no change to the identity of the Registered User, the Proposed Supply Point Registration Date shall not be less than 4 Supply Point Systems Business Days following the date of receipt. (G2.5.8(b)(ii)) – (Currently 8 Supply Point Systems Business Days)
5. The Confirmation becomes unconditional at D-3. (Currently at D-8).
6. Opening Meter Reads to be provided to the Transporter not later than 16:00 hours on the 10th Supply Point Systems Business Day after the Supply Point Registration Date from each Non-Daily Read Meter. (M3.8.2(b)) – No change
7. A User is able to object up until the 'Objection Deadline'. (G2.8.1) – No change
8. The Objection Window commences the day after the 'notification' within G2.8.1(b) has been issued.
9. The Objection Deadline will be amended. G2.8.1 (b) (ii) being amended to the 3rd Supply Point Systems Business Day. (Currently 8th Supply Point Systems Business Day)
10. Submission of a Supply Point Confirmation Cancellation (for SSP), up to but not after the 3rd Supply Point Systems Business Day. (G2.8.1(c)) – (Currently 8th Supply Point Systems Business Day)
11. No change to timeline where a User may withdraw a Supply Point Objection. (G2.8.5) – No change
12. Arrangements relating to a Shared Supply Meter Points remain unchanged.
13. Where a Supply Point Objection is made and not withdrawn, the Transporter will inform the User 'as soon as reasonably practicable and in any event no later than 1 Supply Point Systems Business Day before the Proposed Supply Point Registration Date.' (G2.8.6) – (Currently not later than the fifth Day before the Proposed Supply Point Registration Date)
14. The Transporter will notify the Proposing User & Existing User whether the Supply Point Confirmation has become effective, 'after the Objection Deadline and as soon as reasonably practicable and in any event not later than 1 Supply Point Systems Business Day before the Proposed Supply Point Registration Date. (G2.8.8) – (Currently not later than the fifth Day before the Proposed Supply Point Registration Date)
15. Effective of Confirmation: Existing Supply Points already withdrawn, the Transporter will notify the Proposing User, 'as soon as reasonably practicable and in any event no later than 1 Day before the Proposed Supply Point Registration Date.' (G2.9.2) – (Currently not later than the fifth Day before the Proposed Supply Point Registration Date)
16. To provide clarity and consistency with the proposed Business Rules, amend relevant legal text within Section M3.8.1 from: 'Where a User submits a Supply Point Confirmation which becomes effective for a Proposed Supply Point...' to 'Where a User submits a Supply Point Confirmation which may become effective for a Proposed Supply Point...'

To assist UK Link related changes:

17. Upon receipt of a supply point confirmation file the Transporter will issue a confirmation response file which will contain a 'K14 Additional Metering Details' record as soon as reasonably practicable or in any event within 2 Supply Point Systems Business Days.
18. The 2 day SLA for electronic files will remain the same with the exception of the following. 90% of transfer of ownership files will be issued by 08:00 on D-2 Supply Point Systems Business Days before the transfer date and in any event 100% issued within 2 Supply Point Systems Business Days.

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Should this modification be approved, the intention is that all changes made to the UNC will be enduring (other than arrangements for share Supply Points, which will require a further modification prior to Nexus, and will therefore also need to be considered as part of UK Link Replacement Programme delivery, with the requirement for associated legal text to also be amended as required.

For the avoidance of doubt the read window will remain unchanged. (The Opening Read Window will be the period of eleven (11) Business Days commencing five (5) Business Days before the Supply Point Registration Date and therefore this section of code (M3.8.3) – has not changed.

For reference where relevant Business Day is the Supply Point System Business Day

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

A User Pays service (the central systems development service, which will be included in the Agency Charging Statement) will be created by implementation of this modification. This modification is therefore, classified as a User Pays Modification.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

This modification creates a service for the “retail” aspect of the gas market. Gas Transporters do not benefit from this change and are unaffected by it. Gas Shippers are the only parties to the UNC to benefit from this change. For these reasons the costs of this modification are to be charged 100% to Shippers.

Proposed charge(s) for application of User Pays charges to Shippers.

The cost estimate (indicated by Xoserve) for the changes to central systems is around £1m.

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

The charging basis for the total development cost will be in proportion to the number of supply points in each Shipper’s ownership as a proportion of the total number of supply points in all Shipper’s ownership as measured on the date of the implementation of the modification. This charging basis excludes special metering supply points (often referred to as “unique sites”).

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Implementation of this modification would facilitate Relevant Objective d) Securing of effective competition. The modification will reduce the timeframe for the change of supplier process, providing benefits for consumers as they will be able to change their supplier considerably faster than under the incumbent arrangements. A quicker process will increase consumer confidence and engagement in the change of supplier process and thus positively assist effective competition between suppliers.

Potential Benefits of Proposal

- There were approximately 5.5m customer transfers in 2013 (electricity and gas combined).
- This equates to approximately 2.5m dual fuel transfers.
- Reducing the gas transfer timescales in the manner proposed would allow alignment with similar proposals for electricity market and should enable dual fuel transfers to occur concurrently.
- Assumption that the vast majority of transfers will see customers moving to a cheaper tariff.
- Assumption that an annual dual fuel saving available per transfer, from moving from the average to the cheapest tariff, could be in the region of £35 per annum (based on Ofgem data compiled from suppliers).
- The modification proposal would reduce customer switching timescales by 7 calendar days (for transfers not switching to a customer preferred start date). This would equate to an average of 67p for each dual fuel customer transfer.

- There should be equivalent savings for gas only customers.
- Steady profile of customer switches during the year so that average customer will be on new tariff for 6 months in first year of Modification 0477.
- Reducing the transfer timeframe by 7 calendar days will increase consumer confidence and encourage greater consumer engagement in the switching process, with the potential to encourage an increased volume of transfers in the first year of implementation.
- Assumption that an additional 10,000 dual fuel transfers would occur in the first year of Modification 0477 (0.4% increase).

Illustrative view of potential financial consumer benefits

- Annual savings for switchers in first year

Dual fuel switches 2,500,000	x	Average tariff saving £0.67	x	Time spent on new tariff in first year (0.5)	=	Total customer tariff saving £837,500
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- Additional savings for customers that would not otherwise have switched

Additional switchers 10,000	x	Average tariff saving £35	x	Time spent on new tariff in first year (0.5)	=	Total customer tariff saving £175,000
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5 Implementation

No implementation date is proposed for this modification, however in keeping with suppliers' commitment to the Government to deliver a faster switching solution, the proposer seeks the earliest possible implementation date, potentially during Q4 2014.

Changes will be required to the central systems to facilitate this change. Xoserve has provided a high level cost assessment of around £1m, and a project timescale of around 10 months.

Shippers will also face individual costs associated with the implementation of the proposed change, these costs will be specific to shippers and have not yet been assessed.

6 Legal Text

Legal text has been provided by Scotia Gas Networks and is published alongside this report.

7 Consultation Responses

Of the eight representations received seven supported implementation, and one opposed.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	d - positive	<ul style="list-style-type: none"> positively addresses the challenge to speed up the customer switching process, whilst not compromising quality of service, consumer rights or adding to the cost of bills. provides the most efficient and effective way of delivering these changes at the earliest opportunity.
Co-Operative Energy	Support	d - positive	<ul style="list-style-type: none"> speeding up the change of supply process is more likely to encourage switching and therefore to increase levels of competition between suppliers.
E.ON	Support	d - positive	<ul style="list-style-type: none"> will remove a barrier to faster switching and hopefully improve the customer experience of the change of supply process.
DONG Energy	Oppose		<ul style="list-style-type: none"> although faster switching will bring benefits mainly for domestic customers, the solution proposed will reduce the confirmation window from 7 business days to 2 business days will impact commercial arrangements with MAMs and may lead to inaccurate asset data .
National Grid Distribution	Support	d - positive	<ul style="list-style-type: none"> will facilitate a reduction in the timeframe for the change of supplier, thereby providing benefits for consumers.
RWE npower	Support	d - positive	<ul style="list-style-type: none"> will shorten the switching process, increase competition within the energy market and allow customers to realise the benefits of their new chosen product sooner.
SSE	Support	d - positive	<ul style="list-style-type: none"> this modification may also act to improve consumer engagement due to a perception that switching has become easier, and as a consequence improve supply market competition.
Winchester Gas	Support	d - positive	<ul style="list-style-type: none"> will reduce the time period for the change of supply process and provide benefits for consumers.

Representations are published alongside the Final Modification Report.

Summary Comments / Additional Issues Identified in Responses

British Gas, E.ON and RWE npower in support of the modification noted that Suppliers will be required to make significant changes to their processes and systems to enable the delivery of faster switching arrangements.

Co-Operative Energy noted there would be some costs around internal systems amendments, however, they believed these would be outweighed by the benefits resulting from implementation and could be achieved within the 10 months timescale proposed by Xoserve.

British Gas requested clarity on the actual date of implementation as soon as possible.

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Winchester Gas would like to see a minimum of 6 months implementation lead time whereas Dong Energy would like to see at least 12 months lead-time to implement system and process changes.

Both British Gas and E.ON believed that alignment of implementation date, with the Electricity changes, would be beneficial and enable a smoother cross/dual fuel implementation.

National Grid Distribution noted the aspiration for a quarter 4 of 2014 implementation highlighting this is contingent of the timely development and implementation of changes to the UK-Link system.

RWE Npower were supportive of delivering quicker switching in Q4 2014, however, they believed the primary focus should be on delivering the project in a stable form which does not compromise customer experience. They therefore believed this modification required urgent approval to allow industry wide system and process changes to be understood with sufficient time to make necessary changes.

SSE considers consumers who were going to switch will be able to do so approximately 2.5 weeks earlier and, assuming that they are going to a tariff that gives them the average saving, will get a one off benefit of £0.67. It is therefore irrelevant how long they stay on the tariff and is obtained for every switch made. The total tariff saving is therefore £1,675,000 and not £837,500 as suggested in the workgroup report illustrative view.

8 Panel Discussions

9 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0477 [should/should not] be made.

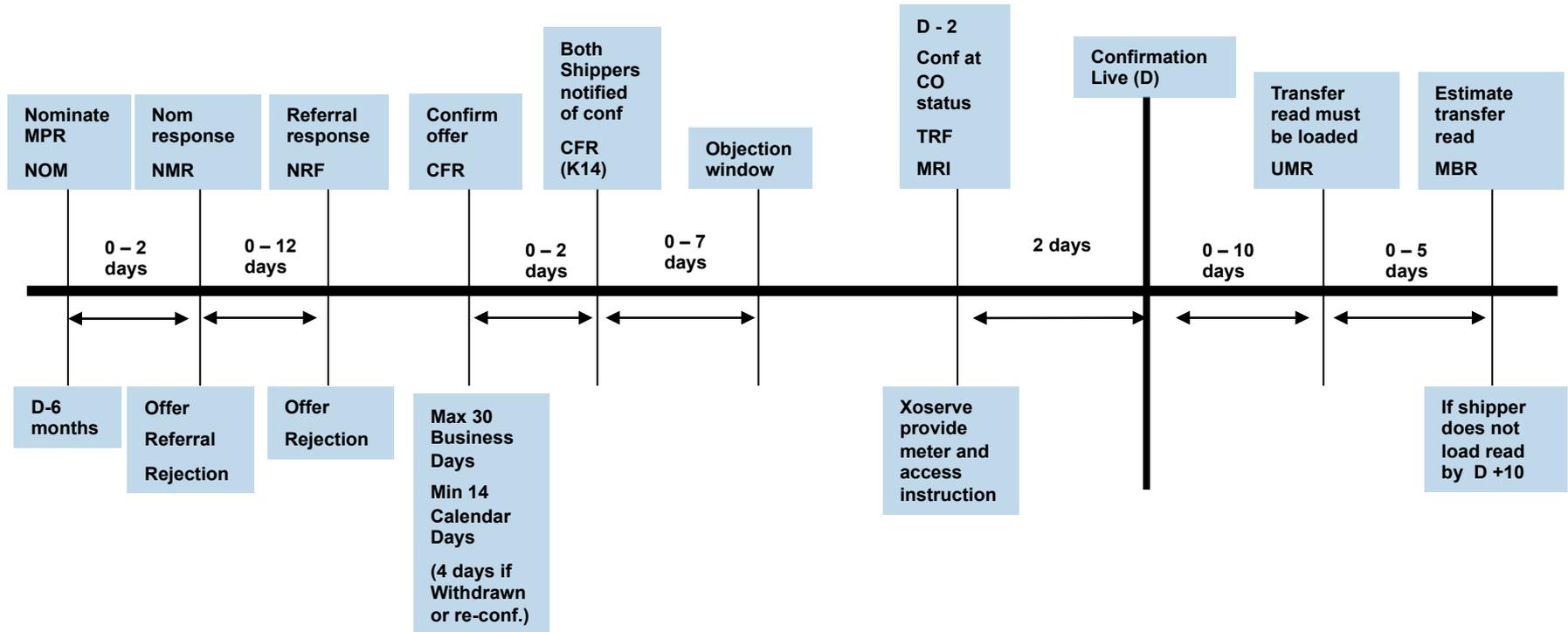
10 Appendix A

Appendix A Diagrams showing current and revised timescales

The diagrams in Appendix A show current and proposed arrangements.

Appendix B - New Supply Point Transfer Timeline

New Supply Point Transfer Timeline



NB. Opening read window remains D-5 to D+5