

0477:

Supply Point Registration – Facilitation of Faster Switching



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.



The Workgroup recommends that this modification should now proceed to consultation.











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



Medium Impact: -



Low Impact: -

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About this document:		 07979 567686
This report will be presented to the panel on 20 March 2014.		Transporter: Scotia Gas Networks
The panel will consider whether the modification should proceed to consultation or be returned to the workgroup for further assessment.		
		
		Systems Provider: Xoserve
		 commercial.enquiries@xoserve.com

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 Appendix A (published alongside this modification) 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 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 [14/15] 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 Business Days. (G2.5.8(b)(i)) – (Currently 8 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 Business Days. (G2.5.8(b)(ii)) – (Currently 8 Business Days)
5. The Confirmation becomes unconditional at D-3. (Currently at D-8)
6. The Opening Read Window will be the period of eleven (11) Business Days commencing five (5) Business Days before the Supply Point Registration Date. (M3.8.3) – No change
7. Opening Meter Reads to be provided to the Transporter not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date from each Non-Daily Read Meter. (M3.8.2(b)) – No change
8. A User is able to object up until the 'Objection Deadline'. (G2.8.1) – No change
9. The Objection Window commences the day after the 'notification' within G2.8.1(b) has been issued.
10. The Objection Deadline will be amended. G2.8.1 (b) (ii) being amended to the 3rd Business Day. (Currently 8th Business Day)
11. Submission of a Supply Point Confirmation Cancellation (for SSP) to be amended to, up to but not after the 3rd Business Day. (G2.8.1(c)) – (Currently 8th Business Day)
12. No change to timeline where a User may withdraw a Supply Point Objection. (G2.8.5) – No change
13. Arrangements relating to Shared Supply Meter Points and Special Metering Supply Points will remain unchanged.
14. 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 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)
15. The Transporter will notify the Proposing User whether the Supply Point Confirmation has become effective, 'after the Objection Deadline and as soon as reasonably practicable and in any event no later than 1 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)
16. 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)

Assumptions

1. In relation to the '*notification*' detailed within G2.8.1(b), it is assumed that existing Xoserve processes will continue to operate within existing processing time parameters, normally taking less than 1 hour for the majority of transfers.

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 between shippers will be on portfolio market share (excluding unique sites) as at [date to be confirmed during modification development].

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 proposal 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.

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 will facilitate a similar reduction for electricity, enabling 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.
- Steady profile of customer switches during the year so that average customer will be on new tariff for 6 months in first year of Mod 477.
- 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 Mod 477 (0.4% increase).

Illustrative view of potential financial consumer benefits

- Annual savings for switchers in first year

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

<u>Additional switchers</u> <u>10,000</u>	x	<u>Average tariff saving</u> <u>£35</u>	x	<u>Time spent on new tariff in first year (0.5)</u>	=	<u>Total customer tariff saving</u> <u>£175,000</u>
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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 is to be provided by Scotia Gas Networks at the request of the Modification Panel and is published alongside this report.

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.

8 Appendix A

Appendix A Diagrams showing current and revised timescales

The diagrams in Appendix A (published alongside this modification) show current and proposed arrangements.