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By email only

30th January 2015

Open letter requesting the BSC Panel to consider a delay to Modification P272

Dear Michael,

The purpose of this letter is to highlight a number of significant concerns which have come to light since Authority approval of P272[1] in late October 2014. Following that approval, our business has utilised additional resource to identify the options available including the risks and impacts for delivery of P272 compliant with the proposed timescales. We bring out the pertinent points of this analysis below and provide arguments why the BSC Panel should request the Authority exercise its right to delay implementation of this Modification. Our preference would be to attend the next BSC Panel meeting to discuss our concerns with you directly.

Industry Change

Significant industry programmes such as the SMART rollout, Project Nexus and EMR are in train simultaneously with P272 which puts strain on the change functions of the collective industry and BSC Parties. Whilst this fact has not changed since P272 was approved, there is growing evidence about aspects of these projects, in particular the SMART DCC go live date, which is being consulted on for a July or October 2016 date which could compromise the timely delivery of P272. By extending the P272 implementation date beyond April 2016, industry could deploy its skilled individuals and firms, some of who will be required to deliver all of these projects, more efficiently.

Another consideration, which may not have been clear before organisations within the industry initiated projects to deliver P272 is the ability of external IT providers (used by many industry participants) to accommodate P272 requirements and balance them alongside existing developments.

[1] Mandatory Half Hourly Settlement for Profile Classes 5-8

P272 Consequential Changes

P272 is a significant change for both customers and industry to accommodate and has wider impacts than those accounted for by P272, DCP179[2] and P300[3]. Since the Authority's approval of these Modifications, parties realised the need to raise at least 8 new industry change proposals that are related to or have the potential to impact delivery of P272. These have either been submitted into the relevant change process or are being considered by parties for raising. Our understanding of these changes is set out in appendix 1: Related and Consequential Changes.

To meet present P272 timescales, the industry will be designing and implementing a solution against a changing industry baseline (in April, June and November); these changes are of course being driven to accommodate P272. Most of these changes should be implemented during the P272 migration period. At this stage we do not know what the impact of these new changes will be given that in the main, they have not been though the change governance process yet. A delay in the P272 timescales would relieve this concern and give parties time to design solutions with more certainty of the industry baseline. There may of course be further changes that are required to support P272's implementation as industry solutions evolve, above the 8 we already know about.

Impact on Customers

Presently, the P272 implementation date will disrupt many customers' contracts before renewal. Further analysis into the post P272 customer journey shows that a smoother path can be achieved if customers were to migrate to HH at the end of, rather than during, a supply contract as most interaction between customers and their supplier regarding new products occur around contract renewal. This means less stress and potential cost to the customer and industry as the disruption occurs only once, not twice (at CoMC and contract renewal). This would make implementation more efficient and likely to lead to fewer data quality issues.

For many businesses this contract renewal occurs in April or October. For others in can occur at any time during the year. The majority of customers can only be migrated to HH settlement between November 2015 and April 2016 following the implementation of P300 which makes migration for whole current PC 5-8 sites possible.

[2] Amending the CDCM tariff structure
[3] Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes

Extending P272 by 12 to 18 months would include both contract rounds (opposed to neither) and cover a considerably longer period in which a customer's existing supply contract may expire.

System Change

The Change of Measurement Class (CoMC) process has been undertaken across the industry since privatisation of the market. However, P272 increases the number of CoMCs a company would undertake from hundreds per year to hundreds per day. This level of activity was considered likely from the early stages of P272, with a likelihood that organisations may choose to automate part or all of this process. Although considered, this is more complex than originally thought. What was not anticipated and has now become apparent are the additional changes required to the billing and Customer Relationship Managements (CRM) systems.

As part of the CoMC process, the customer billing arrangements will change from calculating the difference between two meter readings (NHH) to the consumption over a defined period (HH). To maintain customer service levels for those customers who wish to retain a NHH like product, the supplier must develop an IT solution to either replicate reads from HH data or configure systems to accept NHH and HH information from the AMR meter. Both options are complex and were not anticipated during the consultation periods.

Again, not fully anticipated was the requirement to update existing NHH CRM systems to interact with HH flow management systems to account for new matters of HH related customer interaction. Failure to correctly do this could reduce customer service levels or BSC compliance levels could degrade. Neither of which is at all acceptable. The main point we wish to raise here is that it is likely other suppliers have also found that the development of systems for P272 is a significantly more substantial undertaking than initially thought.

Summary

In summary, we ask that the BSC Panel consider content of this letter and directly (or through wider industry consultation) requests the Authority delay the implementation date of this modification. For reasons stated earlier, we believe a period of 12-18 months is optimal, and would be our recommendation. A number of suppliers may wish to keep to the existing April 2016 implementation date; a delay would of course, not remove this as a choice and not impact the P272 benefits case. P272 simply mandates HH settlement for PC 5-8 customers, delaying this would not delay the benefits from DCP179 and P300 from being realised as these benefits can be realised with or without P272.

By delaying the implementation of P272 we believe the following BSC objectives would be better achieved:

Promoting effective competition – For the reasons set out above, the present implementation timescale for P272 is likely to disrupt many customers unnecessarily. The presently proposed CoMC process and move to HH arrangements for P272 could have a high impact on the end consumer. With more time suppliers could reduce this impact and customers are more likely to engage with them, particularly when considering new types of products. Much of the P272 benefits case is built upon customer engagement and participation with new products which may include Time of Use products (ToU) that can reduce peak load and associated costs.

However, some customers may not want the products or are dissatisfied with the new HH arrangement or the migration process and could be more likely to switch supplier. Increased switching through market level customer dissatisfaction is not promoting effective competition and with more time to implement the migration would benefit more customers by giving them a less disruptive experience.

The P300 and DCP179 implementation timescales will remain unchanged and it is these modifications which will ultimately deliver benefits and increase competition by opening up the potential for HH products to a wider customer base. Suppliers can still implement the intentions of P272 before any revised implementation date.

The Code is given effect as economically and efficiently as is reasonably practicable – Extending the P272 implementation time will reduce system and development costs for industry participants and increase how efficiently developments can be made alongside other industry requirements. Five months (for whole current metered sites) was always challenging and the additional considerations above will significantly add to this.

There is now additional detail and understanding by suppliers about how the P272 target could be achieved. It is more complex and difficult to achieve than first thought and will be disruptive for many customers; taking the considerable existing industry change into consideration alongside the forthcoming P272 consequential changes, it is not unreasonable to have a revised implementation date. Npower supports the industry move towards universal HH settlements; however we have always stated that it should be a long term approach which takes into account all considerations and in particular end customer impact, this has not changed.

Yours Sincerely,

Jason Scagell

Appendix 1: Related and Consequential Changes

Modification / Change	Name	Defect	Remedy	Impact	Potential Release date
Proposed BSC Modification (following Issue 59)	Amending PARMS serials for P272	The PARMS serials (SP04) are not consistent with the HH settlement classes F & G. if unchanged suppliers will pay more, reporting will be difficult	A party to raise a modification to remove them	Removing the would be a positive move, do nothing would be detrimental	November 2015 or Feb 2016
CP516	Clarifying of Maximum demand requirements	Without this clarification P272 and P 300 would apply to smart and AMR meters	Publish CP to give clarity to exempt smart and AMR PC 1-4 from P272	Scope for acquiring customers on the wrong product sets	March 2015
CP	Alphanumeric Line Loss Factors	Network operators believe that with more HH meters, IDNOs and Third party access there will be insufficient identifiers for the required Line loss factors	One remedy is to change the format of the codes used to identify TLFs from numeric to alpha numeric.	All industry systems, (ECOES, Settlements, DTC) and supplier systems (CRM, pricing, forecasting and settlement) would need amending	November 2015 or April 2016
CP	Proving tests for COP 10 meters	New proving tests for COP 10 (smart and AMR) meters	Set out the new tests to apply on a COMC	This will require MOPs to carry out the new proving tests on a COMC	February 2015
CP	Site Check Exemption for Measurement Classes F & G	The BSC requires site checks for HH meters	To exempt HH meters in Measurement classes E, F, G	Do nothing would increase work and risk of non-compliance	November 2015
CP	Default EAC for Measurement Classes E, F & G	There are no default EACs for these measurement classes and the existing default would be inaccurate	Create new EACs	Change to supplier and agent systems, and MDD	June 2015 November 2015
CP	Precision of HH data flows	HH data flows only have one decimal place for energy consumption. This may not be small enough for former PC 5 – 8	Amend the HH data flows for energy consumption	Changes to industry flows, agent systems and Supplier systems	November 2015

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Modification / Change	Name	Defect	Remedy	Impact	Potential Release date
TCM Change	Changes to the TNUOS charging methodology	The TNUOS charging model does not take account of Measurement class ,F & G HH customers; under the present arrangements such customers may have to pay higher charges	Amend the charging methodology or migrate customers before November or after the end of the TNUOS charging timetable (march 2016)	Affected customers will need to manage load to avoid high TNOUS charges	November 2015 or April 2016