

To: Balancing and Settlement  
Code (BSC) Panel, Master  
Registration Agreement Executive  
Committee (MEC), suppliers,  
supplier agents, other industry  
bodies, consumer representatives  
and other interested parties

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Copied to: UNC Panel, SPAA  
Executive Committee

Dear Colleagues,

### **Open letter on reforming the change of supplier (CoS) meter read process for smart electricity meters**

When a customer changes supplier, a meter reading must be obtained. This is used to close the customer's account with their old supplier, with a final bill issued to the customer for electricity used up until that point. The same meter read is used to open the account with the new supplier, with future electricity usage measured against this baseline meter read. The read is also used for settlement purposes<sup>1</sup> and delineates the responsibility for charges between old supplier and new.

We believe that changes should be made to the process by which this meter read is obtained and processed for smart electricity meters. These changes are needed to facilitate a fast, reliable and efficient CoS process. This letter explains what outcomes we expect these reforms to achieve and how they might be realised.

We request that a party to the BSC raise an 'Issue'<sup>2</sup> to develop the required changes.

#### **Context**

In July 2012,<sup>3</sup> we set out our intention to improve the change of supplier process by leveraging the benefits of smart metering. We want to achieve a fast, reliable and cost-effective CoS process which can bring about more effective competition and help build consumer confidence in the retail energy market.

The roll-out of smart meters to all homes and small businesses in Great Britain is already underway. To support the functionality of these meters, the Data and Communications Company (DCC), which is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and energy service companies, has recently been formed and will make it easier than ever for suppliers to

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<sup>1</sup> Settlement is the process for comparing the amount of energy that an electricity supplier has arranged to be put on to the network with the amount of consumption attributed to their customers.

<sup>2</sup> An Issue can be raised where a participant has identified a problem or potential improvement to the current arrangements, but it is not yet clear how it should be resolved. After being raised, the Issue is discussed by an Issue Group who consider possible solutions to the problem. An Issue is solely used to seek views on potential solutions for an identified problem, and will not itself make any changes to the BSC, CSDs or BSC Systems. Once a solution has been identified, a modification, change proposal or draft change proposal is required to take any reforms forward.

<sup>3</sup>[Promoting smarter energy markets: a work programme](#).

access meter reads. This new technology means that now is the right time to review how best improvements can be delivered for customers.

To help meet our objective, we have engaged with a range of stakeholders and undertaken qualitative research with both domestic and non-domestic consumers.<sup>4</sup> We have worked closely with industry, government and consumer representatives at our Change of Supplier Expert Group (COSEG).<sup>5</sup> Our analysis has been supported by discussions on metering issues with a COSEG sub-group, and ongoing bilateral discussions with stakeholders.

Our December 2013 Smarter Markets CoS update<sup>6</sup> sets out how we intend to deliver improvements for consumers by:

- securing a reliable three-week switch now for all customers
- supporting suppliers' response to government's call<sup>7</sup> to speed up switching in the short term, and challenging suppliers to deliver as soon as possible
- consulting in March 2014 on a package of more ambitious reforms and changes to industry systems to deliver reliable, cost-effective and fast, e.g. next day, transfers.

We think some elements of our more ambitious reform package can be progressed now to deliver early benefits for consumers. In these cases we are looking to industry to initiate work now, rather than waiting for the outcome of our March 2014 consultation. One of these areas is the CoS meter reading process for smart electricity meters.

## **Issue**

Under the current CoS process, the CoS meter read is taken by the new supplier. Obtaining this read is dependent on agents being appointed, and on the new supplier and their agents receiving data from the old supplier and their agents.<sup>8</sup> These dependencies mean that suppliers must build time into the CoS process to prepare for the CoS meter read. These dependencies can discourage suppliers from offering customers faster switching. They are described in more detail below.

Multiple information flows between parties also make the CoS process prone to error, because sometimes not all the necessary flows are sent, or they cannot be processed by the recipient. Delays and failures in the process can lead to inaccurate data, impacting both settlement and customer billing. The costs of resolving these delays and failures are borne by suppliers, agents and ultimately consumers.

## **Impact of smart metering**

A prompt and accurate CoS meter read, acceptable to both the new and old supplier, supports timely and accurate customer billing. It also supports accuracy in settlement.

The government has introduced licence requirements on suppliers to roll out smart meters to domestic and smaller non-domestic electricity and gas customers. Among other things, smart meters can record a read on the Supply Start Date (SSD), store it, and provide remote access to it via the DCC. We believe that these capabilities should improve supplier access to the CoS meter read and the consumer's experience of the switching process.<sup>9</sup>

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<sup>4</sup> Domestic research: <https://www.ofgem.gov.uk/ofgem-publications/84905/finalcospanel.pdf>  
Non-domestic research: <https://www.ofgem.gov.uk/ofgem-publications/84908/non-domcosreportfinal181013lastandfinalforpublication.pdf>

<sup>5</sup> COSEG 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>  
<sup>6</sup> <https://www.ofgem.gov.uk/ofgem-publications/84902/ofg505smartermarketsupdate1113web.pdf>

<sup>7</sup> <https://www.gov.uk/government/publications/annual-energy-statement-2013>

<sup>8</sup> In some instances the new supplier may reappoint the old agents, which can reduce the dependencies on data exchange at change of supplier.

<sup>9</sup> In some cases, smaller non-domestic smart meters may not be serviced by the DCC, and as is noted later, separate consideration would have to be given to how new processes could be made applicable to this group of customers.

Suppliers' ability to remotely reconfigure the meter technical details (MTDs) can also help reduce the impact that the current meter agent appointment and exchange of data requirements have on the speed and reliability of the switching process. Realising these opportunities to improve the switching process for customers will require changes to industry processes.

While smart meters and the advent of the DCC offer opportunities to simplify and streamline the CoS meter reading process, without ambitious reforms they have the potential to add more complexity to an already complex process.

If the current arrangements were retained, the process would have to include the transfer of additional data to support changing meter configurations.<sup>10</sup> The prospect of this increased complexity is an additional driver for pursuing more ambitious reforms now.

### **Analysis of dependencies between parties**

We have identified the following specific dependencies for obtaining a CoS meter read under current arrangements:

- **Agent appointments:** A new Non-Half-Hourly Data Collector (NHHDC) and Non-Half-Hourly Meter Operator (NHHMOA) must be appointed to allow the CoS meter read to be interpreted, validated, and in some cases obtained at all.
- **Access to MTDs:** To allow the new NHHDC to interpret the CoS meter read, the new NHHMOA must obtain the MTDs from the old NHHMOA, and pass them onto the new NHHDC.
- **Access to consumption history:** The new NHHDC requires consumption history from the old NHHDC to validate or deem the read.
- **Registration and objection notification flows:** The Non-Half-Hourly Data Aggregator must be kept informed of registrations/progression of objections.

### **COSEG's recommendations on reforming the CoS meter read process**

Through discussions with COSEG we understand that the dependencies on data transfer and agent appointment 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.

We think this solution will bring the benefits of:

- **Removing the old NHHMOA's requirement to provide MTDs on CoS:** The new supplier configures MTDs at CoS.<sup>11</sup>
- **Removing the old NHHDC's requirement to transfer consumption history on CoS:** The old NHHDC is able to validate the closing read from the smart meter using the consumption history it already holds. Since the new supplier will reset the tariff registers to zero, it has no need for a traditional opening read, or for consumption history to validate one.<sup>12</sup>

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<sup>10</sup> If the meter is reconfigured on change of supplier (e.g. to enable a change in tariff type), then under current arrangements the new supplier would need the old supplier's meter configuration to take the closing read and would use the new configuration to take the opening read. In order to validate the closing and opening readings the new non-half-hourly data collector would also need the old and new meter configurations.

<sup>11</sup> We understand from discussions at COSEG that whilst there are additional MTDs which cannot be configured, and which need to be transferred from the old supplier/their agents to the new supplier/their agents, the customer switch and CoS meter read are not contingent on this information. These MTDs can subsequently be transferred following a CoS.

<sup>12</sup> Please note that the new supplier could still benefit from receiving the consumption history following CoS to support the calculation the first Estimated Annual Consumption (EAC) they send into settlement. However, in the

- **Decoupling the agent appointment process from CoS:** The old supplier's agents are able to obtain a closing read and send an Annualised Advance<sup>13</sup> into settlement based on this CoS read. The new supplier reconfigures the meter and obtains any subsequent reads directly for billing purposes - the new agents only need to be in place in time to submit data for settlement by SSD+14.<sup>14</sup>
- **Removing the requirement for registration and objection notification flows to be sent to agents:** The agent appointment process is decoupled from the CoS, so any information flows to keep agents up to date with progress of CoS are optional.

In developing a solution we understand that the Issue Group will have to consider and develop solutions for a range of associated issues which include (but are not limited to):

- Ensuring that the closing and opening meter reads (taken by the old and new supplier respectively) and re-configuration by the new supplier are choreographed so that the closing readings are available to the old supplier.<sup>15</sup>
- Enabling the old and new suppliers and their NHHDCs to validate and process readings in such a way as to prevent double-billing or under-billing to the detriment of the consumer and settlement accuracy, eg:
  - ensuring both the old and new supplier know which read (eg SSD midnight read) they will need to retrieve to act as the closing and opening read.
  - specifying how the total cumulative reading can be used to identify and reconcile discrepancies between closing and opening reads.
- Specifying how the new supplier can obtain any additional information needed for the CoS read (for example information on auxiliary load switches) in a timely and efficient manner, given an expectation that new processes facilitate retrieval of the CoS meter read on (or failing that as close as possible to) SSD<sup>16</sup> and given the wish to avoid burdensome dependencies.
- Ensuring that information required by the new supplier and agents for subsequent (ie post-CoS) reads and customer and settlement billing (for example meter location, Meter Asset Provider and test dates), can be obtained in appropriate timeframes.
- Ensuring that appropriate exception management processes are in place to guarantee an acceptable CoS meter read for customer and settlement billing, for example when communications are unavailable on or around the CoS date.
- The applicability of new processes to smart and advanced NHH Meters which are not serviced by the DCC.
- How the Notification of Old Supplier Information ("NOSI" / D0313) flow could be used to support the proposed processes.
- Issues arising from the parallel running of smart and non-smart CoS processes.

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event it is not transferred in time, a default EAC could be used which would be rapidly corrected as smart meter data is built up.

<sup>13</sup> The rate of consumption for a Settlement Register over the period between two meter readings, nominally expressed as kWh/Year.

<sup>14</sup> This would not preclude the new supplier choosing to appoint new agents before or at the same time as the change of supplier.

<sup>15</sup> It is important that the new supplier's reconfiguration of the meter does not hamper the old supplier's ability to take a closing read.

<sup>16</sup> Currently the CoS meter read can be any single read in the period from SSD-5 up to SSD+5, this is called the 'read window'. The supplier actually has until SSD+8 to retrieve this read (which may involve deeming it) and send it into settlement. Please note that although we support retrieval of the read on SSD, we appreciate that it may still be necessary to allow more time, eg in the event of a communications failure to enable retrieval of a customer reading or other manual reading.

## **Intended outcomes**

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 CoS<sup>17</sup> 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.

## **Next steps**

We would welcome a party to the BSC raising an Issue, and an Issue Group being set up. The Issue Group should review and consider the COSEG recommendations above, or develop and progress alternative solutions, were they to lead to a better outcome for consumers, taking into account the intended outcomes set out above.

We would welcome a progress report from the Issue Group in early March 2014. Please note that, on the assumption that sufficient progress is made through the Issue Group, we do not intend to consult on the matter in Ofgem's March 2014 consultation on improving the switching process.

We understand that there are likely to be consequential changes associated with any reforms and would welcome these being addressed through the normal industry route. In particular, we are copying this letter to MEC and would welcome their active consideration of any consequences for the MRA that might arise from this work.

## **Application of new arrangements to the gas market**

We consider that similar reforms could be made in gas to support the alignment of the switching process for customers with smart meters in both markets. We recognise that the market design in gas is different. However, we believe that smart meters provide an opportunity to review the gas arrangements and align them with any new electricity arrangements where it is efficient to do so. We will be writing to the UNC Panel and the SPAA Executive Committee to ask them to consider any relevant changes to improve the CoS meter read process in gas for customers with smart meters. Where possible, we would welcome any support the Issue Group could provide to colleagues in gas with the aim of developing consistency across both fuels.

We are happy to discuss this letter further with the Issue Group and answer any queries. If you would like to discuss this letter further please contact Rachel Hay ([rachel.hay@ofgem.gov.uk](mailto:rachel.hay@ofgem.gov.uk); 020 7901 7288).

Yours faithfully,

**Rob Church**  
**Associate Partner, Smarter Markets and Smart Metering**

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<sup>17</sup> Including the transfer on SSD, the validated change of supplier meter read (both cumulative and register reads as necessary) and the subsequent closing and opening bills.