

Modification proposal:	<b>Balancing and Settlement Code (BSC) P302: Improving the Change of Supplier Meter read process for smart Meters (P302)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Transmission Plc (NGET), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	18 June 2015	Implementation date:	30 June 2016

## Background

The existing Non-Half Hourly (NHH) change of supplier (CoS) process relies on multiple flows of information being sent between new and old suppliers and supplier agents. Due to the number of data flows being sent, the process is complex and prone to error. When the data flows are not sent or cannot be processed by the recipient, delays occur which can result in inaccurate data entering settlement and delays in consumer billing. The costs of resolving these delays and process errors are borne by suppliers, supplier agents and ultimately the consumer.

In December 2013, we issued two open letters, one for electricity<sup>3</sup> and one for gas,<sup>4</sup> asking that working groups be set up to consider any relevant changes to the CoS meter read processes for smart meters. We asked that the groups seek to improve the efficiency of these processes in the context of smart meters and align outcomes for consumers when switching supplier for either fuel. We also had concerns in electricity that, in the absence of reform, the existing process would become even more complex in order to account for the requirements and features of smart meters.

### *The current process*

When a customer changes supplier, a meter reading must be obtained or estimated. 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 reading is used to open the account with the new supplier, with future electricity usage measured against this baseline meter reading. The reading is also used for settlement purposes and delineates the responsibility for charges between the old and new supplier.

Under the current CoS process, the Non Half Hourly Data Collector (NHHDC) appointed by the new supplier is responsible for determining the CoS reading on behalf of both the new and old supplier. Where the new supplier's NHHDC and Meter Operator Agent (MOA) are different to those appointed by the old supplier, the old MOA transfers Meter Technical Details (MTD) to the new NHHDC, via the new MOA, to enable the new NHHDC to interpret readings correctly. The old NHHDC transfers a reading and Estimated Annual Consumption (EAC) to the new NHHDC to allow the new NHHDC to validate the CoS reading (or to deem a reading, where no valid actual reading is available). The transfers of MTD, readings and EACs are, in turn, dependent on:

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The term "Authority" refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document constitutes notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> <https://www.ofgem.gov.uk/ofgem-publications/84990/openletteronreformingthechangeofsuppliermeterreadprocessforsmartelectricitymeters.pdf>

<sup>4</sup> <https://www.ofgem.gov.uk/ofgem-publications/85203/openletteronpotentialreformstothechangeofsuppliermeterreadprocessforsmartgasmeters.pdf>

- the new supplier appointing new supplier agents (MOA, NHHDC and Non Half Hourly Data Aggregator (NHHDA))
- the new supplier notifying the new agents of each other's identities and of the relevant old agents' identities, and
- the new agents requesting the relevant data flows from the old agents

This process is complex and includes a number of dependencies. Without appropriate reform, the new opportunities for reconfiguration which smart meters provide will add further complexity, and potentially time and cost, to the existing CoS meter read process.

Reforms were discussed in the electricity working group (Issue 53),<sup>5</sup> with P302 being raised to implement its proposals. The related change in the gas market is SPAA CP 15/301.<sup>6</sup>

### **The modification proposal**

P302 was raised by EDF Energy on the 16 May 2014.<sup>7</sup> It proposes to amend the CoS meter reading process to make use of the enhanced functionality that Data and Communications Company (DCC)-serviced smart meters provide, and improve the passing of timely and accurate consumption data into settlement.

At a CoS event, P302 will require the new supplier to collect the total cumulative and time of use meter register readings retrieved from the meter at the point that it is reconfigured. This is expected to be at, or closely following midnight on the Supplier Start Date (SSD).<sup>8</sup> The new supplier will collect these via the DCC and pass them to the old supplier. The old supplier will use these reads for billing, or initiate the disputed reads process in the event they believe the read(s) to be incorrect. The old supplier will also take actual midnight readings at the point of the switch and will send these to the new supplier to enable it to check the readings it has taken. The readings taken by the old supplier can also be used as the basis of an accurate CoS meter reading in the event that the new supplier is not able to communicate with the meter for any reason.

As opening readings from the smart meter are likely to be accurate in all but exceptional circumstances (e.g. meter malfunction), the new NHHDC will no longer need to validate them against the reading history and latest EAC from the old NHHDC. This will remove a dependency that can cause delays to the CoS process.

### **BSC Panel<sup>9</sup> recommendation**

The BSC Panel of 14 May 2015 unanimously agreed that P302 would better facilitate BSC objective (d) and therefore unanimously recommended that P302 should be approved.

<sup>5</sup> <https://www.elxon.co.uk/smg-issue/issue-53/>

<sup>6</sup> <http://www.spaa.co.uk/change-proposal-register-new/spaa-detail?cpnodeid=224325>

<sup>7</sup> <https://www.elxon.co.uk/mod-proposal/p302/>

<sup>8</sup> For the avoidance of doubt, we understand that the readings sent to the old supplier and used as the CoS read for settlement and billing, will not be the midnight reads on the daily read log, but will instead be the instantaneous reads obtained at the point of reconfiguration. See 'further issues' section below.

<sup>9</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Standard Special Licence Condition C3 of the Electricity Transmission Licence available at: [www.epr.ofgem.gov.uk](http://www.epr.ofgem.gov.uk)

## Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 14 May 2015. We have considered and taken into account the responses to the industry consultations which are attached to the FMR.<sup>10</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>11</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>12</sup>

## Reasons for our decision

The proposer and the majority of other workgroup members considered the modification would better facilitate the applicable objectives of the BSC. This view was reflected in the responses to the Second Assessment Procedure Consultation, the strong majority of respondents to the Report Phase Consultation and the BSC Panel's unanimous recommendation that P302 should be approved.

We have assessed the proposed modification against the BSC applicable objectives. We consider this proposal will better facilitate objectives (c) and (d) and has a neutral impact on the other applicable objectives.

### ***BSC objective (c): promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity***

The majority of workgroup members felt the modification to be neutral with respect to objective (c). One respondent believed that the changes would help reduce the complexity and associated cost of the CoS process for smart meters, making customer switching a simpler, less onerous and more timely process. A number of respondents to the report phase consultation considered P302 would better support applicable objective (c) for several reasons, such as by reducing the length of the end-to-end CoS meter reading process for smart meters.

We think that P302 better facilitates applicable objective (c). Through reducing the volume of data flows necessary between NHHDCs for smart meters enrolled in the DCC arrangements, and delivering a less complex process relative to the current arrangements<sup>13</sup>, P302 should improve the reliability of the switching process and, as such, deliver wider competition benefits for consumers.

P302 is also likely to have a positive impact on the timing and accuracy of customer billing. We consider that this modification supports the ability of suppliers to provide accurate closing and opening bills for consumers with smart meters on CoS. P302 will make a closing reading available to the old Supplier on a more timely basis than the current process (whereby they are unlikely to receive a closing reading before 8 days after the SSD). P302 will mean that the old supplier could receive this reading close to the SSD. This should then improve the timeliness of closing bills, which is a key consumer concern (particularly in relation to overlapping payments from the two suppliers).

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<sup>10</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.co.uk](http://www.elexon.co.uk)

<sup>11</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence: <https://epr.ofgem.gov.uk>

<sup>12</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

<sup>13</sup> Is the 'minimal change' approach to accommodating smart meters in the current process

We consider that this also helps to promote effective competition between suppliers and better meets objective (c).

***BSC objective (d): promoting efficiency in the implementation and administration of the balancing and settlement arrangements***

The proposer and the majority of other workgroup members considered the modification would better facilitate objective (d). They considered that P302 would promote efficiency in the implementation of the balancing and settlement arrangements through reducing the volume of data flows necessary between NHHDCs. They considered that this improves the efficiency of the process as well as the timeliness and accuracy of the data being used in settlement for smart meters being serviced by the DCC.

One workgroup member was concerned that the changes would increase complexity and were being introduced too soon. Another felt that the change was neutral with respect to objective (d).

We agree that P302 will support greater efficiency in the implementation of the balancing and settlement arrangements due to the reduction of data flows relative to the current arrangements. We note that in the absence of this modification, the current process is likely to become more complex for smart meters, given the ease with which the new supplier will be able to reconfigure the meter on CoS.

We recognise the concerns raised by workgroup members about the complexity of parallel running different processes (eg. for SMETS<sup>14</sup> meters enrolled in DCC compared to non-DCC meters). We understand that, irrespective of P302, the characteristics of different meter types will require different processes to be followed.

We also note the concerns that P302 is being raised too soon and does not represent an optimal solution. In the absence of timely reforms, we are concerned about the increased complexity of the current process for smart meters, including potential ambiguity for the old supplier over whether the new supplier would be using CoS readings taken at midnight or when the meter was configured. We therefore agree with the majority view that it is appropriate to design changes now. Whilst we are approving P302 on the basis that it better facilitates the applicable objectives relative to the current arrangements, we note that further changes may be proposed in the future, for example when the industry has greater experience of switching smart meters that are enrolled in the DCC arrangements. This is discussed in the 'further issues' section below.

***Further issues***

We understand that P302 requires the instantaneous reading, taken at the point of reconfiguration, to be the CoS reading used by both suppliers for settlement and billing. We have discussed with Elexon that the drafting of the FMR does not make this clear. We understand that the corresponding legal text is an accurate reflection of the arrangements as they are intended to be under P302. Nonetheless, we understand that Elexon is intending to make appropriate "housekeeping" change(s) to the relevant BSCPs to ensure the process is as clear as possible to all parties.<sup>15</sup> We welcome this.

A number of parties have requested clarification on elements of the process in their responses to the industry consultations on P302. We agree that guidance, to help ensure that all parties understand how the end to end process is intended to function in practice, would support efficient and effective implementation. We understand that Elexon is

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<sup>14</sup> Smart Metering Equipment Technical Specifications (SMETS).

<sup>15</sup> For instance by amending BSCP 504 3.2.6.44 to reference the 'instantaneous readings' referred to in BSCP 504 3.2.6.42.

intending to produce this, and welcome this, alongside any other supporting materials or education sessions that are felt to be helpful.

We note the concerns voiced by some respondents about the implementation timeframe for P302. These include the concerns that it won't be possible to deliver the changes in the timeframe, and that DCC-Live<sup>16</sup> may occur before the modification takes effect. An appropriate balance must be struck between these two concerns. As discussed above, it would be beneficial for a workable solution to be in operation before DCC-Live, given that smart meters have the potential to add further complexity to an already complex process. The industry assessment is that to meet DCC-Live, P302 should be in place for June 2016. It is important that all parties meet this deadline. Equally, it will be necessary for parties to monitor the development of the DCC timelines, and ensure that appropriate arrangements are in place in the event that DCC-Live occurs prior to P302 implementation.

Whilst P302 reduces dependencies on data flows between parties relative to the current arrangements, it leaves two notable dependencies in place:

- the dependencies on MOAs to transfer MTDs
- the dependency of the old supplier on the new supplier for the CoS read.

In our decision on moving to reliable next-day switching<sup>17</sup> we recognised that, without further changes to industry rules, P302 would not remove the dependencies on MOAs to transfer MTDs for smart electricity meters.

The smart meter configuration details form part of these MTDs and are particularly time critical during a switch. Because the new supplier configures the smart meter, we believe that it should be possible for industry to make changes to industry rules to remove the remaining dependency on MOAs to transfer configuration data. We are keen to see further progress made on this issue.

On the second issue, we are aware that there was significant debate over whether to retain the dependency of the old supplier (and its agents) on the new supplier (and its agents) for the reading. We understand that following the Second Assessment Procedure Consultation, it was decided that the dependency should be retained.<sup>18</sup> Among a variety of reasons given, two risks were identified with removing this dependency:

- (a) that both suppliers obtain different readings, leading to some energy being settled/billed twice, or remaining unaccounted for; and
- (b) removing it would require the midnight SSD read to be used as the CoS read (as this is the only read both suppliers can access), and that where meter reconfiguration occurs later than midnight, additional calculations would have to be undertaken by the new supplier to account for the units used between the midnight reading and the reconfiguration reading.

Greater experience of smart meter operation in a DCC environment will reveal the materiality of these, and any other, perceived risks. In the event these risks are found to be immaterial, we would invite reconsideration by the industry of how to remove the dependency of the old supplier on the new supplier for the CoS reading.

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<sup>16</sup> The point from which the DCC will provide the communications mechanism for enrolled smart meters. The planning assumption is that this will be August 2016.

<sup>17</sup> <https://www.ofgem.gov.uk/ofgem-publications/93224/fastandreliableswitchingdecisionfinal.pdf>

<sup>18</sup> We recognise that whilst retaining a dependency between old and new, P302 actually removes the dependency of the old DC on the new DC for the read and replaces it with a direct dependency of the old supplier on the new supplier. It is important that appropriate Performance Assurance measures are introduced to ensure that this changed dependency represents an efficiency improvement in the process.

We strongly agree with the comments of respondents to the Report Phase Consultation which emphasise the importance of appropriate Performance Assurance Techniques to accompany the change. It is important that these are picked up and developed early enough to allow sufficient time for the changes to take effect.

We also agree with the suggestion that, given the complexity of the changes, and the need to ensure effective and accurate communication between suppliers, it will be important for suppliers (and their agents) to thoroughly and co-operatively test the processes prior to DCC-Live.

We are aware that a number of consequential changes are likely to be necessary to the BSC, Master Registration Agreement and/or code subsidiary documents. Following publication of this decision notice, the relevant bodies should review the range of changes identified in the FMR and responses to the Report Phase Consultation, and propose appropriate changes where necessary.

### **Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority hereby directs that modification proposal BSC P302: Improving the Change of Supplier Meter read process for smart Meters, be made.

**Angelita Bradney**

**Head of Smarter Markets**

Signed on behalf of the Authority and authorised for that purpose