

Report Phase Consultation Responses



Phase

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P366 'Change to Supplier Charge SP08a calculations to account for small scale non-domestic Non Half Hourly hard-to-read Meters'

This Report Phase Consultation was issued on 17 May 2019, with responses invited by 3 June 2019.

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
Scottish Power	1	Supplier
British Gas	1	Supplier
SSE Electricity Ltd & SSE Energy Supply Ltd	2	Supplier, Supplier Agent
TMA Data Management Ltd	1	Supplier Agent
Power Data Associates Ltd	1	Supplier Agent
ICoSS	1	Trade body for Industrial and Commercial Suppliers
Solarplicity	1	Supplier
Stark	1	Supplier Agent – NHHDC, NHHDA, HHDA, HHDC
Engie	1	Supplier
Orsted	1	Supplier

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Question 1: Do you agree with the Panel's initial view that P366 **does not** better facilitate the Applicable BSC Objectives than the current baseline and so should be rejected?

Summary

Yes	No	Neutral/No Comment	Other
6	4	0	0

Responses

Respondent	Response	Rationale
Scottish Power	Yes	Removing this charge removes the financial incentive to obtain actual reads and meet the 97% target.
British Gas	Yes	We agree that the proposal removes the effectiveness of a control measure that is already in place for non-performance against the current standard. Removing SP08a Supplier Charges would remove a key incentive to obtain Meter reads, reducing the controls in place for achieving 97% by volume of energy consumed.
SSE Electricity Ltd & SSE Energy Supply Ltd	Yes	No Rationale provided
TMA Data Management Ltd	Yes	No Rationale provided
Power Data Associates Ltd	Yes	<p>The split decision referred to in the footnote is arbitrary. It is more likely that stakeholders supportive of the proposal will respond. Whilst not a good reflection of the industry it is the nature of the process, particularly when the workgroup has already recommended rejection.</p> <p>Taking one group of customers and treating them differently opens up a raft of issues. Why not apply the same exemption to Domestic HTR? Why not apply same exemption to HH sites with comms failures or meter faults preventing reading? Ultimately the Supplier charges compliment the obligations in the BSC to achieve 97%.</p> <p>In the past, when the industry has sought to differentiate between different groups of customers it reveals a series of 'edge cases' that need identifying and determining. This takes additional industry resource to manage, debate, audit and enforce.</p>

Respondent	Response	Rationale
		The proposer has argued that they are adversely disadvantaged due to their customer market segment. One of the benefits of the competitive supply market is that different suppliers are able to target different market segments, some bring advantages, like high load factor and/or night time consumption, other bring access difficulties, like unmanned sites (telecom, water, gas utilities and landlord supplies), but the Supplier should be sufficiently informed to ensure they price the offering to be able to deliver the obligations within the BSC.
ICoSS	No	ICoSS is supportive of the intent of the proposal when viewed on its own merits, with respect to Relevant Objective (d), in that it removes an inequitable cost that large suppliers can easily avoid as by having millions of meter points they can effectively ignore 10,000 of meters, but much smaller suppliers cannot as they must read all but a few dozen meters to avoid these costs. The EFR process is an effective process that ensures that suppliers hit the 97% target; the PARMS Serial SP08a charge does not. Removing it will eliminate a cross-subsidy between large and small parties without risking market performance.
Solarplicity	No	Solarplicity continues to support the proposal as it furthers Relevant Objective (d), in that it removes an inequitable cost that large domestic suppliers can easily avoid, as by having millions of meter points they can effectively ignore 10,000s of hard to read meters, but much smaller domestic suppliers cannot. This modification will therefore remove a cross subsidy between small and large domestic suppliers by removing SP08a charges.
Stark	Yes	With reference to BSC Objectives (c) & (d) agree with the assertion that the P366 proposals do not have any significant improvements to the current baseline & is not the appropriate action to take considering other reviews i.e. PAF (Issue 69) where the specific problem faced by the proposer (& other smaller Suppliers) can be taken into account; Supplier charges are to be reviewed & changes likely to be made & the category of sites deemed "Hard to read" with potentially disproportionate charges are a symptom of the wider problems with the current Supplier charge process.
Engie	No	In our opinion removing charges for SP08a in their entirety would better facilitate BSC Objective C. We

Respondent	Response	Rationale
		<p>agree with the proposer that this would level the playing field allowing smaller suppliers to bid for group business made up of hard to read sites without having to add additional charges into contracts to cover supplier charges.</p> <p>This will have a particular effect on small B2B suppliers who aren't able to use a large portfolio of 'easier to read sites' to buffer against the effect of group difficult to read customers.</p>
Orsted	No	<p>We disagree with the Panel's initial view. SP08a supplier charge stemming from HTR meters is materially impacting competition in the Industrial & Commercial sector of the retail market. In specific:</p> <ul style="list-style-type: none"> • SP08a charge is disproportional when compared with average supplier profit margin in this market segment (multiple times more in terms of £/MWh) and is already forcing some small suppliers to withdraw tenders from customers with HTR meters. • The application of SP08a charge on HTR meters discriminates against small suppliers as they will not be able to absorb within the 3% RF Run allowance, unlike their large competitors. <p>It is broadly recognised that the existing NHH supplier performance targets and charges do not reflect the fast-changing market condition today, where an increasing number of suppliers choose to target specific market segments by providing specialised services and products to enhance consumer benefits. In our view, SP08a charge causes an unfair cost barrier for small suppliers to target sectors such as Water or Telecom etc where HTR meters are common.</p> <p>Further, we agree with some Panel members' view that the EFR/Code compliance process is the true incentive for suppliers to read their meters, not SP08a charge. As such, we are unsure about purpose of SP08a charges and why it gets redistributed back to all suppliers based on market share, so that large suppliers receive most of the payment.</p> <p>The current SP08a charge is a barrier to Mandatory HH Settlement, as suppliers with HTR meters will be exposed to additional charges when they move the "good" NHH sites into elective HH Settlement. This is because when suppliers move NHH sites into HH</p>

Respondent	Response	Rationale
		<p>Settlement, their overall NHH portfolio volume will reduce. The remaining HTR meters will have bigger impacts on NHH settlement performance and SP08a charge. This trend was already visible post P272 migration and if unaddressed, will continue to reduce suppliers' incentive to electively move NHH sites into HH Settlement.</p> <p>While other wider reviews of supplier performance and charges are on-going (e.g. Issue 78 and PAF review), it is important for the Panel and Ofgem to recognise the competition concerns expressed by many small suppliers including us. Rather than waiting for an unknown outcome in the future, we'd like to see an agile regulatory framework that can act quickly to put things right to promote competition and benefit consumers.</p>

Question 2: Do you agree with the Panel's initial unanimous view that the redlined changes to the BSC deliver the intention of P366?

Summary

Yes	No	Neutral/No Comment	Other
8	0	1	1

Responses

Respondent	Response	Rationale
Scottish Power	Yes	These are the charges I would expect to see as part of this change, if approved.
British Gas	Yes	No rationale provided
SSE Electricity Ltd & SSE Energy Supply Ltd	Yes	No Rationale provided
TMA Data Management Ltd	Yes	No Rationale provided
Power Data Associates Ltd	Other	No answer provided
ICoSS	Yes	We have not reviewed the legal text.
Solarplicity	Yes	We have not reviewed the legal text.
Stark	Neutral	No Rationale provided
Engie	Yes	No Rationale provided
Orsted	Yes	No Rationale provided

Question 3: Do you agree with the Panel's recommended implementation approach?

Summary

Yes	No	Neutral/No Comment	Other
8	0	1	1

Responses

Respondent	Response	Rationale
Scottish Power	Yes	Timescale has no impact to supplier as change would be to just amend to £0, if approved.
British Gas	Yes	No rationale provided
SSE Electricity Ltd & SSE Energy Supply Ltd	Yes	No rationale provided
TMA Data Management Ltd	Yes	No Rationale provided
Power Data Associates Ltd	Other	No answer provided
ICoSS	Yes	We agree with the Panel's recommendation.
Solarplicity	Yes	We agree with the Panel's recommendation.
Stark	Neutral	No Rationale provided
Engie	Yes	No Rationale provided
Orsted	Yes	No Rationale provided

Question 4: Do you agree with the Panel's initial unanimous view that P366 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
10	0	0	0

Responses

Respondent	Response	Rationale
Scottish Power	Yes	If implemented there could be a material impact on customer and competition.
British Gas	Yes	No rationale provided
SSE Electricity Ltd & SSE Energy Supply Ltd	Yes	No rationale provided
TMA Data Management Ltd	Yes	No Rationale provided
Power Data Associates Ltd	Yes	<p>The change has an impact on the Suppliers incentives to roll out smart meters. If this pressure is removed then the government desire to see the roll out of smart meters will probably be further delayed for a segment of the market.</p> <p>The provision of settlement reads also impacts customer billing. The lack of meter reading impacts the directly impacted customers with inaccurate energy invoicing but has a consequential impact on all other customers through the Group Correction adjustments. The argument that customers are 'happy' or paying 'over the top' does not ring true – they may be 'happy' because they are under paying compared with the actual usage or the meter has gone faulty – these errors remain undetected until a metering is obtained and cannot be corrected in settlement beyond 14 months.</p> <p>The settlement arrangements rely on 'everyone playing the game', the 97% threshold was set at a level which was judged to be acceptable recognising that there will always be a small number <3% which are a problem. Any exclusion of a section of customers would presumably result in a corresponding change in the threshold to reflect that a group previously allowed for in the 3% has been excluded. This change does not therefore provide any net benefit.</p>

Respondent	Response	Rationale
ICoSS	Yes	We agree with the Panel's view that P366 should not be treated as a Self-Governance Modification due to P366's intended impact to competition.
Solarplicity	Yes	We agree with the Panel's view that P366 should not be treated as a Self-Governance Modification due to P366's intended impact to competition.
Stark	Yes	There will be a potentially material effect to Consumer charges especially relating to competition amongst smaller Suppliers which would make this modification inappropriate for self-governance.
Engie	Yes	No Rationale provided
Orsted	Yes	No Rationale provided

Question 5: Do you have any further comments on P366?

Summary

Yes	No
3	7

Responses

Respondent	Response	Rationale
Scottish Power	No	No further comments received
British Gas	No	No further comments received
SSE Electricity Ltd & SSE Energy Supply Ltd	Yes	We would highlight that all Suppliers will have a percentage of their portfolio which are 'Hard to Read' irrespective of the size of that Suppliers portfolio, therefore the argument that smaller Suppliers are disproportionately impacted by SP08a Supplier Charges and this causing competition concerns is spurious. The obligation to obtain actual reads should remain for all Suppliers in order to maintain fair competition. In fact, removing the SP08a Supplier Charges would also remove the incentive to continue attempts to get these HTR sites read, which in turn will detriment the integrity of settlement because HTR sites will be consigned to have estimated reads applied indefinitely.
TMA Data Management Ltd	No	No further comments received
Power Data Associates Ltd	Yes	<p>The current Ofgem SCR considering market wide HH settlement will only be successful if there are advanced/smart meters installed. The resolution of the problem is achieved by fitting smart/advanced meters into all premises, in particular HTR premises.</p> <p>The lesson that some suppliers may learn from the P366 debate is that perhaps they should make a commercial offering to their HTR customers which encourages customers to either have a advanced/smart meter or to regularly provide meter readings.</p>
ICoSS	No	No further comments received
Solarplicity	No	No further comments received
Stark	Yes	There is an issue here impacting an increasing percentage of parties, & whilst some bigger parties are uninterested, with the overall impact also being considered at non-material, this issue warrants

Respondent	Response	Rationale
		inclusion and consideration in future reviews & developments.
Engie	No	No further comments received
Orsted	No	No Rationale provided