

Public

P332 'Revisions to the Supplier Hub Principle'

Workgroup Meeting 6

27 November 2019
Lawrence Jones

Health & Safety

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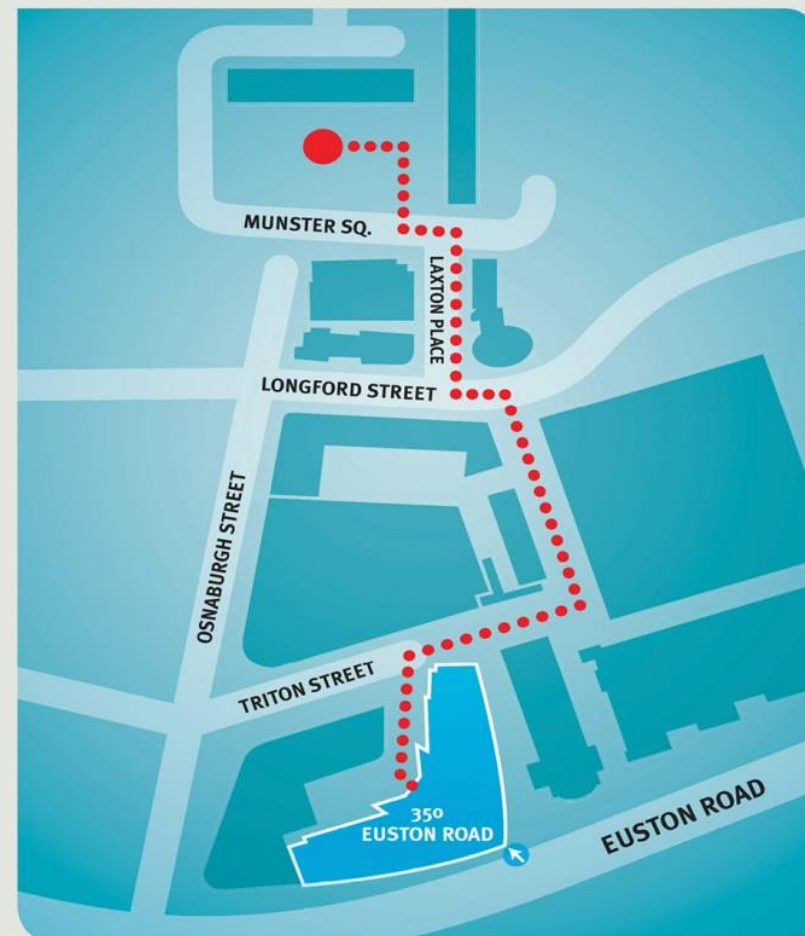
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- If you hear the alarm, please leave the building immediately.
- Evacuate by the nearest signposted fire exit and walk to the assembly point.
- Please remain with a member of ELEXON staff and await further instructions from a Fire Warden.
- For visitors unable to use stairs, a Fire Warden will guide you to a refuge point and let the fire brigade know where you are.

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Objectives

- Discuss proposed reduction in scope and solution;
- Take stock of where PAF review has got to and interactions with P332; and
- Recommend next steps.

Agenda

Agenda item	Lead
Welcome & meeting objectives	Chair
Background and re-cap	Lead analyst
PAF & PAF Review findings and plans	Lead analyst
Proposer's latest thinking	Proposer
Workgroup discussions, including recommended next steps	Workgroup
Next steps & meeting close	Chair



Background and re-cap

Background: Timeline

Date	Key Events
Jan 16	P332 raised
Mar 16 to Aug 17	5 Workgroup meetings held, including: <ul style="list-style-type: none">- Jul 16: RFI issued – designed to assess how the P332 issue impacts participants- Jun 17: Data request issued – established potential size of CPA market
Jul 17	Interim report presented to the Panel –sought Ofgem views
Sep 17	Panel considered Ofgem views and decided to pause P332
Oct 17 to Sep 19	P332 work paused, pending SCR on MHHS
Sep 19	Panel request Ofgem view
Oct 19	Panel extended P332 plan so that a further Workgroup can take stock and recommend next steps at the January 2020 Panel

P332 Issue

- The BSC when originally created was designed to support the Supplier hub principle and to this end is silent on the practice of 'Customer appointed Agents'. The 'appointment' of Agents by Customers , outside of the Supplier hub principle, makes managing Agent performance and delivery of obligations within the BSC difficult, resulting in a reduction in a Supplier's ability to manage performance against industry targets and risking non-delivery of specific obligations.
- Ofgem's preferred TOM for Market Wide Half Hourly Settlement reduces the scope of P332 to the sub-100 kW Advanced Metered sector and Half Hourly Data Collectors and Meter Operator Agents only
 - Proposer minded to focus on MOAs only

Interim Report summary

- Mixed views on whether P332 issue is a commercial or a BSC issue
- Identified high and lengthy progression times
- Considered package of solution elements to address P332 issue / symptoms
- Sought Ofgem views

Previously considered solutions (1 of 2)

Proposed Solution

1. Obligate Agents to remain until another Agent is appointed by the Customer
2. Obligate Agents to prioritise work according to the volume of energy associated with an MPAN (instead of MPAN count)
3. Restrict Agents from having appointments made on their behalf if their performance is deemed unacceptable
4. Transparency of Customer-Agent contract status so that Suppliers can build in safeguards
5. Identify CPAs through Contract References
6. Allow Agents to provide appointment end dates if they know their contract will not be renewed
7. Require that the Agent notifies its Supplier on a change of contract status
8. Allow the New Supplier to request the relevant information from the Old Supplier

Previously considered solutions (2 of 2)

Proposed Solution

9. Revise the Supplier hub principle only where there is no contractual relationship between the Supplier and Agent, and monitor performance separately in these cases.

10. Limit the P332 scope to HH and/or CVA Agents

11. Introduce disaggregated performance reporting for Suppliers' Customer Preferred Agent portfolio so that Suppliers can proactively address issues before they become more material

12. Allow Suppliers an exemption under certain performance metrics for Customer-Agent MPANs

13. Introduce an initial Agent PARMS data submission deadline set at 16WD after the reporting period end date

14. Formally introduce a mechanism for Suppliers to recover costs for additional services (e.g. site visits) not covered by the Customer-Agent contract

What did we learn from the RFI?

- 10 Suppliers, 8 Supplier Agents, 1 software provider
- Majority of respondents believe BSC should recognise the customer/Supplier Agent relationship
- Majority of Suppliers reported performance is impacted when they do not have a contract with the Agent
- Split views on holding Agents directly accountable
- Majority believed Supplier Agents should not be signatories to Code
- Majority believed, if Agents were to become signatories, it should apply to all Agents (inc. CVA) and to HH and NHH Agents
 - Majority believed should not apply to only Supplier Agents with CPAs
- Split views on applying liquidated damages to Agents
- Split views on applying breach and default arrangements to Agents
- Majority believed Agents should be obliged to remain appointed to a Metering System until another Agent is appointed

What did we learn from the data request?

- Good response rate from Suppliers and Agents representing majority of market
 - responses account for ~245,600 out of a total of ~270,000 'HHDC-serviced' Metering Systems comprising HH metered import, HH unmetered import and HH metered export

	% CPA appointments			
Measurement Class	MOA	HHDC	HHDA	MA
C	63	36	26	
D				45*
E	30	25	12	
G	24	20	14	
Overall	46	30	20	

What have we learnt from the Settlement Reform SCR?

- SVA market split into 3 segments, all settled Half-Hourly (HH):
 - Smart + Legacy Meters
 - Advanced Meters
 - Unmetered Supplies
- **Smart and Legacy Meters** settled under the MHHS TOM unlikely to be affected:
 - Supplier can obtain all reads required for billing and settlement via the DCC
 - Additional energy data services to customers are independent of Supplier
 - SMETS Meters less dependent on Meter Operators to configure/programme
- **Unmetered Supplies** will have a high share of CPAs (UMSDS) but performance standards have not yet been defined and there are no obligations to retrieve reads or to install or configure meters.
- CPAs as identified by P332 will be confined to the **Advanced Meter** segment; sites that are in today's Measurement Classes C, E and G.

What have we learnt from Ofgem in 2017? (1 of 2)

- There are benefits of customers choosing their own Agent, but should not unduly impact Supplier's Settlement performance
- There is a **lack of evidence** that this balance cannot be achieved under the current arrangements
- Interim report did not adequately explain the **benefits** of making Agents signatories to the Code
- Concerned demand on industry resources to revise Supplier Hub would divert attention away from projects of strategic importance to the industry and see potential for P332 to cut across Significant Code Reform (SCR) on Market Wide Half Hourly Settlement (MHHS)
- Is there BSC the best vehicle to address the issue?
 - Need to see a **more robust evidence** base that BSC is best vehicle to provide unambiguous answer
 - Licencing Agents dependent on BEIS and noted the pressure on legislative timetable
 - No clear view from Workgroup (WG) on whether the **issue is a BSC or commercial issue**
 - **Limited evidence** that the proposed solution will have appropriate effect and limited information on the measureable benefits of the changes and how they would better facilitate the BSC Objectives

What have we learnt from Ofgem in 2017? (2 of 2)

- Is it appropriate for Agents to become signatories to the Code?
 - **Requires robust evidence base** to underpin any changes and this has not yet been provided
- Any foreseen changes to rights and responsibilities to Agents post 2020?
 - Any new Mods impacting similar subject as SCRs may be subsumed
 - Maintain discretion on whether to include traditional HH market in SCR MHHS
- Any other comments?
 - Concerned about assessment costs and resource demands, especially given SCR Faster Switching and Smart Meter roll out
 - Substantial changes to the BSC require a **robust evidence base**
 - **Limited evidence of the extent** to which the Supplier Hub Principle is not functioning effectively and the negative impact this results in costs, Settlement performance and consumer detriment
 - **Evidence for proceeding** would need to support further detail on the extent of the issue and the **benefits** any solution would bring

What have we learnt from Ofgem in 2019? (1 of 2)

- Is it still Ofgem's view that there is a lack of evidence to suggest the Supplier hub model needs to be re-considered for the Advanced Meter segment?
- Do Ofgem believe that upcoming developments such as P379 and the Flexible and Responsive Energy Retail Markets initiative mean that the Supplier Hub Principle will require some adjustment sooner or later anyway?
 - We continue to believe that there are benefits to customers of having choice over their agents, but also that in exercising this choice, supplier's settlement performance should not be unduly affected.
 - Supplier Hub is larger than CPAs
 - Any fundamental reforms would need to be carefully considered and many would involve areas of energy policy outside Ofgem's control
 - P332 proposal could be investigated separately from considerations of a fundamental change to the whole market design, especially considering the proposed narrowed scope of the modification
 - continue to believe there is a **lack of evidence** to show that the issues identified by the proposer could not be addressed under the current arrangements
 - welcome **evidence of the benefits and costs** in light of the narrowed scope as part of the workgroup process

What have we learnt from Ofgem in 2019? (2 of 2)

- Is modification P332 within scope of any of Ofgem's programmes of work?
 - Unlikely any current Ofgem programmes of work will address issues raised in P332
 - P332 would be within scope of SCR on Settlement Reform, but will not address specific P332 issues
 - Ofgem reviewing responses to joint Flexible and Responsive Energy Retail Markets consultation, which sought views on whether it was the time to make further changes to some areas of the retail market, including metering
 - **Interaction with other substantial industry change**, and the draw on industry time should be considered



Proposer's latest thinking

Proposer's latest thinking (1 of 2)

- It is not intended to undermine or replace the Supplier Hub Principle, merely to make Agents more directly accountable under the BSC
- The direction of the SCR is now clear and that P332 is not inconsistent with that direction of travel for the traditional AMR market
- Still experiencing issues with Agents with whom we have no contractual relationship to resolve issues affecting Settlement
- Should not be subject to Supplier Charges where supplier hub principle fails to hold, namely traditional HH, because customers in this segment typically have direct contracts with MOPs and DCs
 - Also some issues with LDSOs, with whom Supplier also do not have a direct relationship
- Reduce scope to HH market
 - Minded to apply only to MOAs, as:
 - higher level of direct relationships between MOAs and customers; and
 - identified that the vast majority of agent issues we encounter relate to: the provision of Meter Technical Details, fault resolution, comms line issues and problems associated with the commissioning of meters

Proposer's latest thinking (2 of 2)

- Minded to specify that MOAs should become signatories and be liable under the PAF for their performance with the option of explicit charge
 - This would mean that they would also be more directly accountable to the PAB
 - small numbers of MPANs with high volumes have a big effect on settlement and that the prioritisation of the resolution of problems needs to take account of volume not MPAN counts

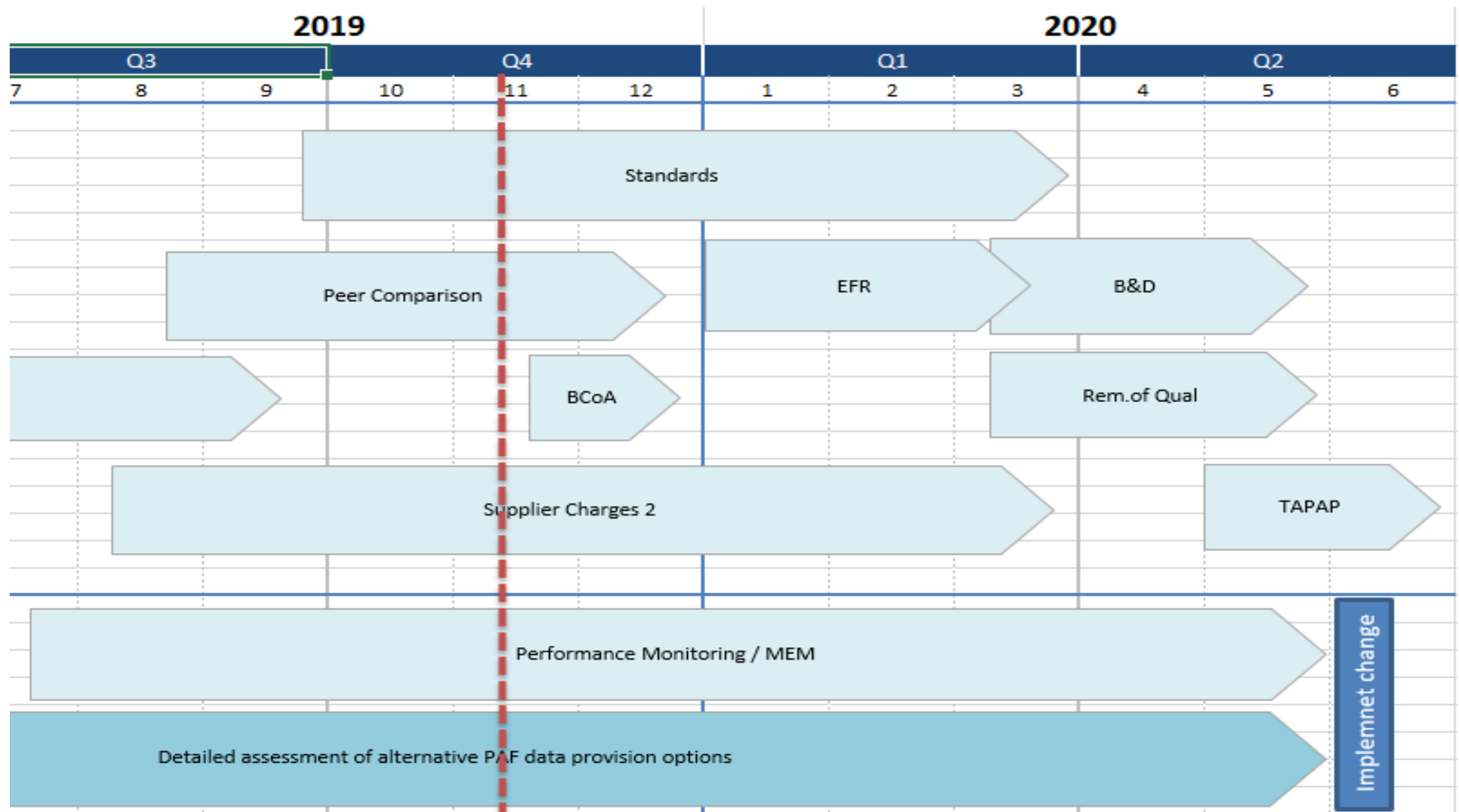


PAF & PAF Review findings and plans

PAF Review interactions (1 of 2)

- PAF Review opinion on P332:
 - Restarting P332 now would not be well-timed, given how the PAF should be adapting over the next few years to respond to these issues
 - There is currently no evidence that making Agents Party to the Code would make any material difference to their performance, especially given the PAF work done over the last few years and planned as part of the PAF Review
- A workstream of the PAF Review is looking at alternative data sources and developing monitoring and reporting for the Risks, including risk factors (root causes)
- May be able to compare different hubs following implementation of PAF Review data workstream (~2 years)
- Reviewing performance standards - could impact MOA targets for MTDs/faults
- Reviewing Peer Comparison, EFR, Supplier Charges techniques
- Longer-term looking to develop party risk profile

PAF Review interactions (2 of 2)



What has the PAF identified?

- PAF techniques (Audit, TAM, TAPAP) have not highlighted CPAs as a significant issue
- Fault resolution and commissioning are focus risks for 19/20
- Action has been taken based on PARMS data related to provision of MTDs

Provision of Meter Technical Details

- 3 TAPAPs in the last 4 years on:
 - Provision of Auxiliary MTDs (D0313s) – MOAs audited and EFR actions taken
 - Provision of MTDs on a CoMOA – MOAs audited and EFR action taken
 - Provision of smart MTDs (NHH) – MOAs audited and performance roundelay monitored

Fault resolution & comms line issues

- Previous TAPAP in this area resulted in Issue 73 which is proposing to place specific resolution timescales on certain fault types and the participants who are required to resolve (i.e. MOAs and DNOs)

Problems associated with the commissioning of meters

- Nearly the whole of the PAF has been thrown at this issue. TAPAP checks at Suppliers and all HH MOAs and DNOs resulted in all being subject to EFR to address process issues. Commissioning process have since been streamlined through the introduction of data flows with on-going monitoring and remedial activities planned.

Any relevant BSC Changes?

- Issue 72 'Ensuring measurement transformer assets installed by a Non-BSC Party are successfully Commissioned within BSC timescales'
 - Identified a misalignment between the Commissioning of non-BSC Party owned measurement transformers outlined in CoP4 and certain industry operational processes,
 - Recommending a CP to amend CoP4 to clarify that a BSC Party will be responsible for the Commissioning of any measurement transformers that will be adopted into that BSC Party's ownership
- Issue 73 'Review of fault management and resolution timescales'
 - Report found that the timescales for fixing faults were unclear; and insufficient guidance was provided on which party involved in the faults process was responsible for each step
 - 3 CPs are to be raised



Workgroup discussions

Key discussion topics

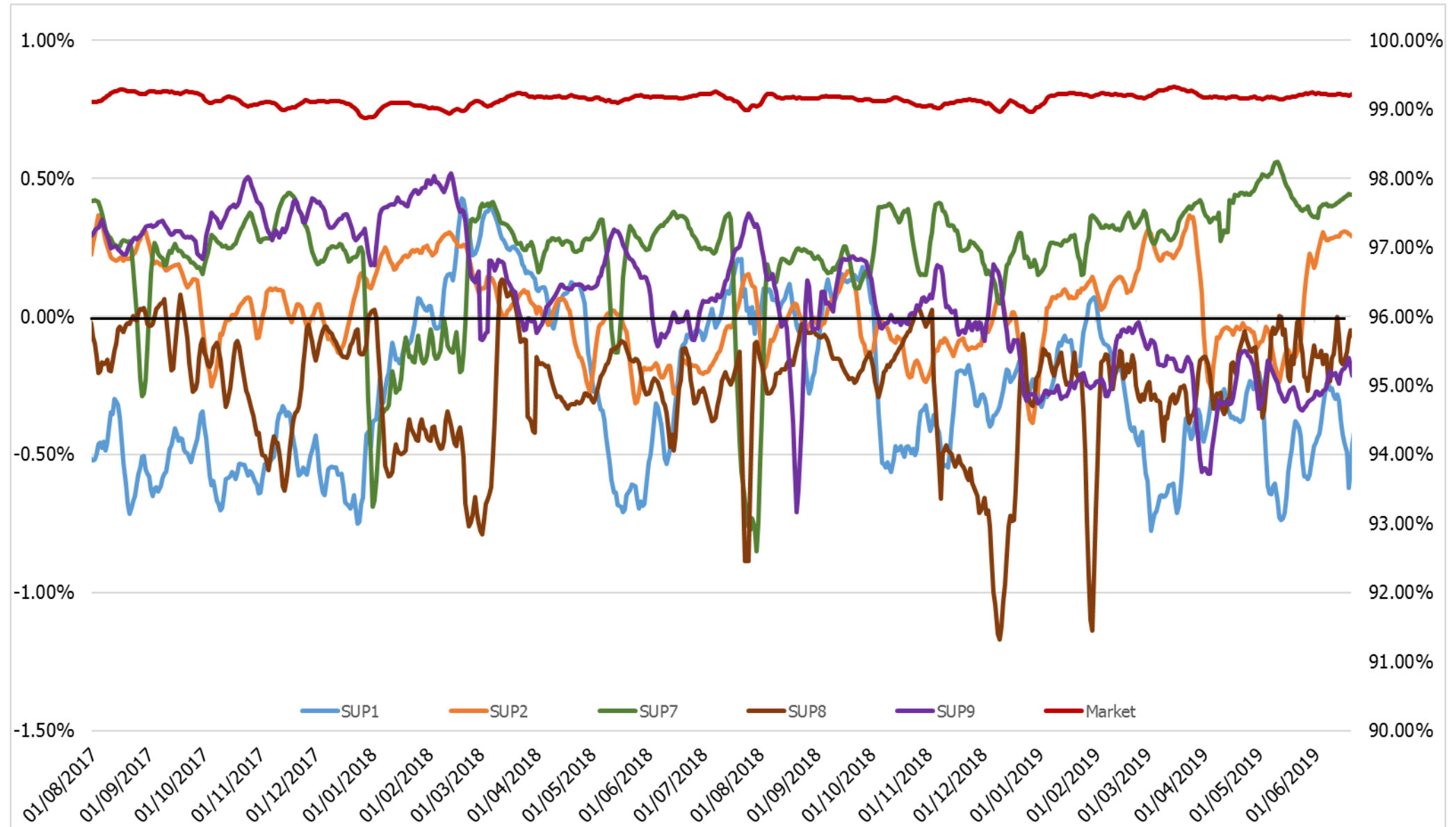
- Gather Workgroup views on Proposer's latest thinking
- Determine whether there is a causal link between CPAs and the Supplier's ability to manage the Hub
 - What evidence is needed to demonstrate that CPAs are impacting Supplier's Settlement performance in a way that cannot be managed under the Supplier Hub?
 - Who do we need to get evidence from?
 - What information do you need to ask for?
 - How would you segment this/ What level of granularity?
 - If demonstrated, what mitigation could be put in place to address this?
- How does P332 interact with PAF, PAF Review and any other programmes of work and how does this impact the P332 progression?
- What are the recommended next steps and progression timeline?

Analysis

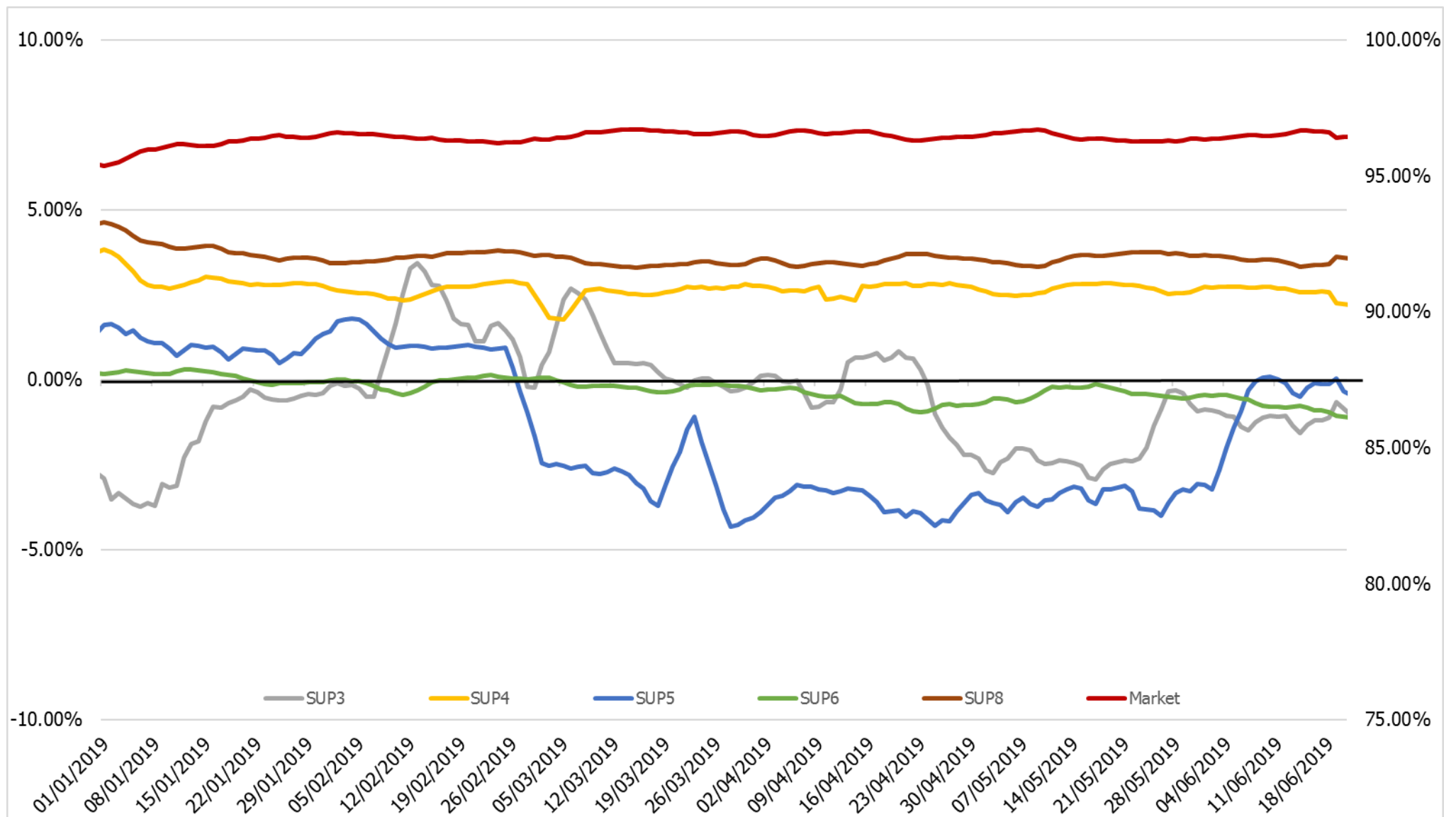
- HH Market is highly concentrated between Suppliers in all Measurement Classes:
 - MC C (100 kW) – 11 Suppliers account for 93% of energy share at R1
 - MC E (sub-100 kW CT) – 12 Suppliers account for 90% of energy share at R1
 - MC G (sub-100 kW WC) – 14 Suppliers account for 85% of energy share at R1
- Is there any correlation between Settlement Performance and CPA share?

	% CPA appointments		
Measurement Class	MOA	HHDC	HHDA
C	63	36	26
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G	24	20	14
Overall	46	30	20

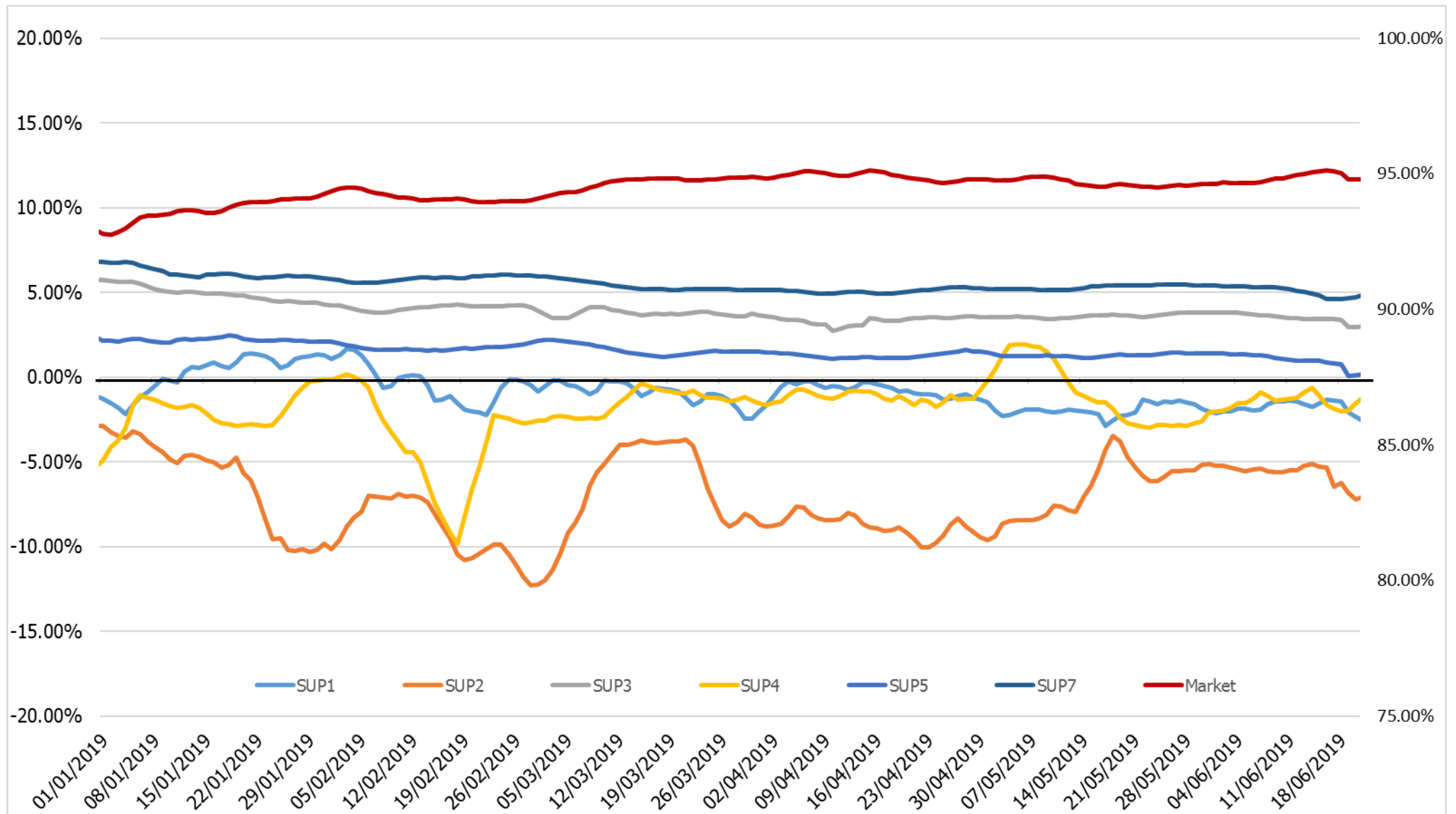
Comparative R1 Performance in Measurement Class C



Comparative R1 Performance in Measurement Class E



Comparative R1 Performance in Measurement Class G



How do CPAs impact Settlement? MOA Issues

Issue	Priority	Do issues manifest themselves most:		
		On supply gain	During the supply contract	On Supply loss
Meter installation/replacement				
Transferring MTDs and passwords (timely/correct)				
Rectifying Meter and Communications Faults				
Attending Sites at Supplier request more generally (e.g. energisations/de-energisation)				
Refusal to agree Supplier-Agent contractual terms above BSC minimum standards				
Commissioning				
Co-operation with Supplier-PAB escalations (e.g. EFR)				
Any significant issue not mentioned above				

How do CPAs impact Settlement? DC Issues

Issue	Priority	Do issues manifest themselves most:		
		On supply gain	During the supply contract	On Supply loss
Obtaining reads for settlement (HHU or dial-up)				
Raising/notifying faults in a timely manner				
Providing meter reading history (e.g. on CoA)				
Correcting settlement errors (scaling, estimation)				
Refusal to agree Supplier-Agent contractual terms above BSC minimum standards				
Co-operation with Supplier-PAB escalations (e.g. EFR)				

Potential progression timeline

- P332 progression plan depends on Workgroup recommended next steps
- There are three likely next steps:
 1. Gather evidence to demonstrate P332 issue impacts Settlement
 2. Develop and assess proposed solution – min 5-10 WG meetings:
 - Responsibility for Metering System and data
 - Accession and Market Entry
 - Performance Assurance
 - Governance and Voting Rights
 - Transition and other issues not listed above
 3. Pause P332 until ~Jul 20 once PAF Review recommendations are clearer



**Next steps and
meeting close**

Next steps

- Summary of this meeting to Workgroup via email within 2-5WDs
- Update Panel on 9 Jan 2020

AOB: Changes to P332 Workgroup Terms of Reference

- 21 voting Members signed up in 2016
 - 9 can no longer participate for a variety of reasons e.g. change of role, retirement
- We sought new P332 Members in October 2019 – please all check you are happy with your voting rights status
- Panel approved revised P332 Workgroup ToR on 14 Nov 19:
 - Apply the latest general ToR (50% attendance and alternates allowed)
 - For any new Members, start the voting rights from the meeting 6 to ensure they are eligible to vote

