



## **Utility Regulator Consultation on the Implementation of the Retail Energy Market Monitoring Framework**

### **Phoenix Natural Gas Ltd. Response**

**20<sup>th</sup> March 2015**

#### **Introduction**

Detailed below are the Phoenix Natural Gas Ltd. (PNGL) comments on the Utility Regulator's (UR) consultation on the Implementation of the Retail Energy Market Monitoring (REMM) Framework.

PNGL believe that a structured approach to the monitoring of the gas industry has to be welcomed and would therefore be supportive of the UR's desire to create a 'coherent and fit-for-purpose' market monitoring framework to ensure consumers are able to make well informed decisions when choosing to engage with the retail energy market. A positive consumer experience will most certainly also support and assist the future growth of the gas industry, a primary objective of PNGL. However we do believe it is important that any agreed framework must be relevant to the energy sector it is looking to monitor, should not be onerous on market participants and should not add costs which will ultimately be passed through to the end consumer; the process it is intending to assist.

PNGL also recognise and understand the UR requirement for consistency and transparency in monitoring the gas and electricity sectors as this will assist and simplify the comparison process but again we would ask that proper consideration is given to the differences which do exist in the two energy sectors and ensure one sector is not required to develop processes and systems which are out of step with Licence obligations, Network Code requirements or current market processes etc. simply because they exist in the other sector.

PNGL do note that UR has indicated that the core principles of REMM is proportionality and avoiding placing undue regulatory burden on market participants, an approach that is particularly welcome.

## **PNGL's Assessment of REMM Indicators**

When preparing this response PNGL has considered where the consultation proposes amendments to existing information provision requirements or where new indicators are being considered as detailed below:

- Is the information required for the indicator available to PNGL and in the required format?
- Can the information for the indicator be made available in the required format?
- System and process changes required to facilitate the provision of the information for the indicator
- PNGL resource and cost implications in delivering the requirements of each indicator
- Timescales for delivery of system and process changes to facilitate additional requirements
- Other specific comments or queries on the information being requested

### **1. Indicator – Market Shares (Clause 5.3.1)**

PNGL currently provides consumption volume data on a quarterly basis for each month of the quarter disaggregated by Network Code classification. In the PNGL bi-lateral meeting with UR we had expressed significant concerns about the proposal to have this information provided by the gas customer groups proposed and these concerns still remain.

The provision of the information, which PNGL currently provides, are the outputs of the PNGL Distribution charging process undertaken by PNGL using a suite of computer models developed for this purpose. The systems have been developed on the requirements of the PNGL Licence i.e. conveyance charge Pi categories, and the Network Code classifications. There is therefore no requirement or relevancy for PNGL to determine charges based on the tenure of the property connected to its network. Any requirement to provide the information by the customer groups proposed would require significant amendment to the charging models, a potential major rewrite of the coding within the systems to produce outputs which are not required for PNGL processes. PNGL has also had an independent audit of these models to ensure compliance given the criticality of the outputs of the charging process and we therefore would not wish to undertake any amendments without a detailed testing plan and a similar audit for compliance being completed. This information is also provided to UR by gas suppliers and we understood from the bilateral meeting with UR that the provision of information by DNO was primarily for the process of verification of the information currently received. Based on the reasons described above and in particular the risk associated with the amendment of charging models, PNGL would therefore request that UR reconsiders the validity of this request and the requirement for information disaggregated to this level by DNOs.

PNGL as a possible compromise can provide this information disaggregated to the following level which we believe provides UR with the vast majority of the information required for market monitoring.

Charging Classification	Customer Group
EUC1 (Credit)	Domestic and I&C <73,200 kWh
EUC1 (PAYG)	Domestic <73,200 kWh
EUC2	I&C 73,200 – 731,999 kWh <sup>1</sup>
EUC3	I&C 732,000 – 2,195,999 kWh
DM	I&C >= 2,196,000 kWh

## 2. Indicator – Switches Completed (Clause 5.4.2)

The number of customer switches completed is currently determined by reporting the number of SMP Confirmations which become effective in each month. The report currently available to PNGL to extract this information from its system does not provide detail on tenure or by the volume categories outlined in the consultation.

To accommodate the proposed disaggregation of customer groups PNGL will need to specify additional reports to extract the additional information on tenure and annual consumption from the PNGL Asset Register and make several amendments to databases developed to support current reporting purposes to combine this with the information sourced from the SMP Confirmation System to produce the required information under REMM.

**Cost and resource implications** – These amendments will be developed in house with current PNGL resources.

**Timescales** – PNGL estimate this will be in place for the first test phase of REMM

## 3. Indicator – Switching taking longer than 15 working days to complete (Clause 5.4.3)

The information required in this indicator is currently provided by PNGL but it is provided on the understanding that PNGL's switching systems have been developed to facilitate a customer switch in 15 working days and any data provided by PNGL which indicates a longer switching period is a result of a gas supplier request for a longer timescale and is not as a result of a network operator failure to deliver on its obligation. The PNGL Network Code, which the switching system has been developed to support, permits a customer switch request to take effect up to 3 months after the submission date to accommodate these extended switch periods. We assume the longer period requested by the gas supplier is based on the individual customer requirements for a switch date greater than the required 15 working days. PNGL would therefore ask for clarity that the provision of this data going forward is accepted by UR on the same basis.

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<sup>1</sup> Note: There will be a small number of large domestic properties within this classification but PNGL estimate that over 97% of annual consumption is attributed to I&C supply meter points

#### **4. Indicator – Sticky Customers (Clause 5.4.4)**

As this information is not currently collected by UR, PNGL will need to undertake the following system amendments and specify new reports for the purpose of each indicator:

- i. Number of Supply Meter Points that have never switched away from the incumbent supplier
- ii. Number of Supply Meter Points that have switched previously but have not completed a switching in the last 3 years
- iii. Number of Supply Meter Points that have completed a switch in the last 3 years

Similar to the comments above for indicator 5.4.2, the PNGL database developed for current reporting purposes will require amendments to be made to it to allow the data extracted from the new reports described above to be analysed and the outputs for REMM produced.

**Cost and resource implications** – The development of the database and reports required for this indicator will be developed in house with current PNGL resources.

**Timescales** – PNGL estimate this will be in place for the first test phase of REMM.

#### **5. Indicator – Debt contact notifications (Clause 5.4.7)**

This section makes reference to the Distribution Network Code which is not relevant in this instance. The relevant document for this should be the gas suppliers SMP Agreement Schedule 7 “Retailer Code of Practice for Dealing with Customers in Debt wishing to Switch Supplier”. The Network Code simply facilitates the cancellation of a SMP Confirmation during the 15 working days if this is deemed appropriate by the gas supplier’s SMP Agreement schedule.

#### **6. Indicator – Erroneous transfer (Clause 5.4.8)**

PNGL note that UR has proposed to remove the obligation to report on this by the Network Operator. PNGL do not object to this but we feel it should be made clear in the agreed process which gas supplier reports the erroneous transfer i.e. is it the gas supplier who the customer has been erroneously transferred to or the gas supplier the customer is returned to at the end of the process. It is also worth noting that erroneous transfers can be raised by the Network operator on behalf of a customer and issued to both gas suppliers involved in the process which therefore also makes the clarification on the reporting of these events essential.

#### **7. Indicator – Notional Reads (Clause 5.4.9)**

PNGL note that UR do not propose to publish the information on this indicator however should this be a consideration for future reporting, PNGL feel it is important that clarity is provided for the reasons that Notional readings are produced.

The paper outlines that a Notional Meter Read is required if the gas supplier fails to gain a meter read within the required meter reading timeframe and it is proposed that the data collected will be used to monitor trends in numbers and supplier compliance with the Distribution Network Code.

This is the primary reason for notional meter read production but they are also required in the following instances:

- i. Gas supplier has provided a meter read to the Operator within timeframes however the read fails the Network Operator validation process and is therefore rejected by the Network Operator.
- ii. The Withdrawing gas supplier may reject the meter read if it out of step with previously recorded readings taken by them for the supply meter point.

The Notional Meter Read figures provided by PNGL are therefore based on all 3 categories outlined above and this should be taken into consideration by UR when interpreting this data particularly if it is being used to demonstrate Network Code compliance.

PNGL would also point out that the figures for this category are collected and reported upon based on the date the Notional Meter Read was produced by the Operator and not the Date of Registration of the SMP to the new gas supplier therefore the month in which they are reported may not correlate to the Registration date of the switch.

## **8. Indicator – Disconnections (Clause 5.6.1)**

PNGL can provide the UR with data on disconnection of supply meter points on its Network but unfortunately not in the proposed format. We have detailed below what currently is available to PNGL. We have also requested further information on the requirement to report disconnections as a result of a vacant property and the reasons why we do not believe this is a proper measurement for disconnection in the gas market.

### **(a) Reporting of disconnections undertaken by the Network Operator:**

- i. **Disconnections due to meter tampering /revenue protection** - PNGL can provide the UR with annual data on the number of disconnections undertaken for revenue protection reasons including those which result in what is classified as permanent disconnection under the PNGL Revenue Protection Policy from the network. In this category we would also include where we have disconnected the premises as a result of the recovery of a stolen meter or where the meter at the premises has been stolen.

We would however strongly oppose the publication of this data as this is an area where the data could be easily misinterpreted e.g. does low permanent disconnection numbers equate to a weak policy or could it mean that meter or supply tampering activities are not being actively sought out and dealt with by network operators. A proper explanation of network operator's policies and procedures for dealing with this type of event would need to be provided but these procedures are considered commercially sensitive and should only be provided to relevant industry parties and are not for wider publication.

- ii. **Disconnections due to vacant premises** – When PNGL consider the requirement to disconnect a property from its network, the assessment is based on the impact the connection has to the safety and integrity of the gas network. Vacant properties would be individually assessed based on this criteria but the fact that a property is vacant does not necessarily mean it is an automatic risk to the network and therefore this is not a

measurement which PNGL use for disconnections. It should also be pointed out that a vacant property may also still have a gas supplier registered to it and therefore the risk to the network is managed in these instances by the gas supplier retaining the obligation to read the meter and inspect the installation as part of their licence obligation.

We would therefore request that UR gives consideration to the use of this reason for disconnection as an appropriate measurement and considers the information detailed below which PNGL believes to be more appropriate.

**iii. Other disconnections** – As detailed above PNGL do not use the occupancy of a property as a disconnection measurement but we would disconnect properties from the network under one of the following categories and it is these methods which PNGL could report on under this section:

- PNGL Emergency job
- Planned demolition
- Suspected vandalism / damage
- Meter built over

PNGL would therefore request that UR reconsiders the overall approach to disconnection reporting by the network operator as part of the REMM project.

#### **(b) Reporting of disconnections undertaken by the Network Operator on behalf of a customer**

For clarity there are only two instances where PNGL accept the request for disconnection from the network by a customer (property owner) namely:

- Planned demolition
- Redevelopment / Service alteration

All other requests by a customer for disconnection must be received by PNGL via a gas supplier request. The reporting of the disconnections for REMM for this category will therefore only be based on the above criteria.

#### **(c) Reporting of disconnections undertaken by the Network Operator on behalf of a gas supplier**

PNGL has recently implemented a new siteworks request system which allows gas suppliers to interface with PNGL on siteworks requirements, including requests for disconnections and it would be the outputs of this system that will provide the information for the purpose of this REMM indicator. As this information is not currently collected by UR, PNGL will need to specify new reports to extract the relevant information from the siteworks request system for disconnections undertaken on behalf of a gas supplier.

**Cost and resource implications** – The development of the reports required for this indicator will be developed in house with current PNGL resources.

**Timescales** – PNGL estimate this will be in place for the first test phase of REMM.

**(d) Reporting of disconnections by the gas supplier - Disconnections due to meter tampering / revenue protection**

With regards the proposed reporting of disconnection requests by the gas supplier, PNGL believe it is important to clarify that under the current PNGL Revenue Protection procedures a gas supplier will notify PNGL of their suspicion of meter or supply tampering or if any other potential revenue protection issues are identified. It is PNGL who investigates the situation and confirms if this is the case and who will initiate the disconnection request and therefore for the purposes of REMM reporting all revenue protection related disconnections will be recorded against PNGL.

**9. Meter Inspections (Annex 2 Licence Compliance)**

Annex 2 of the consultation paper requires gas suppliers to confirm compliance with condition 2.25 of the gas supplier licence which places obligations on them for the inspection of meters at premises where they are the registered gas supplier. From a network operator's perspective this is a critical obligation and we therefore would ask if further measurement of this important obligation should be considered. In 2014 PNGL was asked by the UR to consider developing a process to assist in the measuring of this licence requirement and in consultation with gas suppliers a process was developed whereby gas suppliers confirm to PNGL when a meter inspection has been undertaken at a supply meter point registered to them on the PNGL asset register. The current process was implemented in March 2014 and it will be approximately a further 12 months until PNGL can provide UR with data advising of meter inspections completed. However we believe that consideration should be given to how this data should be reported on thus ensuring proper and timely inspections are being undertaken. PNGL would like to explore this important aspect of market monitoring with the UR further.

**10. Network Operator Licence obligation to submit information (Quarterly REMM Submissions)**

PNGL would encourage the UR to align the current Network Operator Licence obligation to submit specific information relating to customer switches within 14 days of the end of a quarter with the new and revised requirement for REMM reporting. PNGL would also ask for clarity on which timescales should be worked to in the event that Licence modifications are not finalised in advance of the implementation of this phase of the REMM project.