

**Representation - Draft Modification Report UNC 0602 0602A
Implementation of Non Effective Days and Variant Non-Business Days
for Project Nexus Implementation, maintaining a minimum of two
Supply Point System Business Days (Project Nexus transitional
modification)**

Responses invited by: 5pm on 09 February 2017

To: enquiries@gasgovernance.co.uk

Representative:	Andrew Margan
Organisation:	Centrica Plc
Date of Representation:	09 Feb 2017
Support or oppose implementation?	0602 - Oppose 0602A - Support
Alternate preference:	<i>If either 0602 or 0602A were to be implemented, which would be your preference?</i> 0602A
Relevant Objective:	d) Positive f) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

0602 is not supported for two key reasons.

1. The CDSP has communicated a concern that there is a significant delivery risk to Nexus with this solution. Reducing the system switch period from 4 to 3 days will require functional core system code change. This will also require all market participants to make system changes, which adds cost and complexity to the already complex and time constrained Nexus June implementation. The industry must avoid a solution that is flawed or one that poses a significant risk to Nexus implementation.
2. The solution does not meet the requirement for allowing shippers 1 day for objections. Objections are there to protect customers. Xoserve has confirm for some days the objection will be less than 1 day and IGTs have confirmed for some days no objection window will be possible. This is not acceptable and will result in increased customer Erroneous Transfers, which should be avoided.

0602A is supported for several key reasons.

1. The solution can be supported by the CDSP, IGTs and shippers without extensive system changes. This is therefore a lower cost solution for the whole industry.
2. This solution does not pose a significant risk to the Project Nexus June implementation.
3. The solution meets the requirement for parties to have at least one day for objections, which will ensure customers are less likely to fall into the Erroneous Transfer process. This avoids delays to ET customer switches and reduces shipper ET processing costs.
4. Maintaining two objection days will allow shippers to clear their objections before they implement 'Friday 19th May system changes' and this avoids manual management of objections on the Monday, which makes it easier for Xoserve to process.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

Self-Governance procedures are not supported, as these modifications are expected to have a material impact on the switching process and affect consumers.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We request the earliest possible implementation date, so internal project planning can be crystallised.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

0602 will require system changes, whereby 0602A does not. Therefore 0602A is more cost effective to deliver.

Three week switching times scales

It should be noted that Supplier's Standard Licence Condition 14A, places an obligation on suppliers to ensure a domestic Change of Supply is completed within three weeks. Modification 0602 results in maximum switching timescales being extended on 3 days and 0602A results in maximum switching timescales being extended on 6 days. We should therefore consider this impact to consumers.

Consumers usually switch for a better deal. Utilising independent information for average tariff savings, we profiled this data against typical June consumption levels. Summer consumption values are low compared to the rest of the year; therefore the customer savings per day are minimal and non-material and settle at a loss to the customer of 18 pence per day.

We believe most parties; including consumers will understand that a smooth transition to a new IT system is a price worth paying, as opposed to a messy transition where the system implementation is further delayed or non-functioning after go-live.

Month Source	Consump. Profile	In month saving			max £ per day saving
		Which?	uswitch	Ofgem	
Maximum Annual Dual-Fuel Saving		369	412	325	
Half of it as a proxy for gas savings		185	206	163	
Jan	16%	30	33	26	1.10
Feb	14%	26	29	23	0.96
Mar	12%	23	26	20	0.86
Apr	9%	16	18	14	0.60
May	5%	9	10	8	0.34
Jun	3%	5	5	4	0.18
Jul	2%	3	4	3	0.12
Aug	2%	3	4	3	0.12
Sep	3%	6	6	5	0.21
Oct	7%	14	15	12	0.50
Nov	12%	22	24	19	0.79
Dec	15%	28	31	24	0.99

To better understand the industry wide consumer impact, we applied the pence per day value, against typical domestic customer switching numbers. From this data we calculate a total downside of £8,637 per day for each day outside of the 3 week switching time scales. The highest impact to consumers is via 0602A as on 6 days suppliers will go outside the switching timescales.

industry gas customer switching numbers source: Ofgem		
Q3 2016	702,000	
Q2 2016	788,000	
Q1 2016	858,000	
Q4 2015	796,000	
average	786,000	per quarter
	8,637	per day

Are there any benefits to implementing 0602A?

We should consider the impact of Erroneous Transfers (ET) to consumers, as these are likely to increase under 0602 due to a shortened objection window. On average, at least 1% of industry customer transfers results in an ET.

The average ET resolution period is 6 weeks. This is 6 weeks without the customer being able to move to a cheaper tariff or switched back to the correct supplier. This will result in delays to customers being on their preferred tariff. In addition there are industry costs to resolve these ETs. As a modest estimate customer requests cost ~£35.

We should also consider the impact of a compressed objection window. Objections are raised by a customer request or are debt objections. The average loss to debt is ~£76. We have multiplied these costs by typical June Objection volumes and have concluded that should the objection window be shortened, it will add £25k per day for British Gas. This is additional cost to us as a shipper, is smeared to the rest of the customer base. We must ensure there is a suitable objection window, so that debt is appropriate cleared and not smeared to other consumers.

A further concern with ETs and Objections is that some parties might use 0602 as an opportunity to initiate switches when the objection window is most constrained, which will result in much higher numbers of debt smearing and ET costs. As a result we must consider that the ET resolution cost and the debt smearing cost may be much higher than those identified above.

The other consideration of cost is that 0602 requires extensive system changes to CDSP and shipper systems. This will change core system coding, which will require extensive testing. Not only does this activity result in higher cost to parties, appropriate testing will risk a delay to the June implementation date. The industry is already spending millions of pounds due to the delayed Nexus 2016 implementation. Therefore to avoid millions more being spent, we support a solution which avoids the further risk and delay to the programme.

Therefore on balance considering 0602 will require industry wide system changes, which will total £m's and the higher ET costs for consumers and shippers, there is a clear business case for 0602A.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution(s)?*

Yes

Modification Panel Members have requested that the following questions are addressed:

Q1: Respondents are requested to provide views as to whether Modification 0602 provides sufficient time for objections to be raised.

We believe Xoserve's 'happy path' of allowing 5 business hours to raise objections under Modification 0602 is insufficient time and does not afford adequate protect for customers.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No

Please provide below any additional analysis or information to support your representation

No