

By email to: Saskia.Barker@ofgem.gov.uk

Saskia Barker
Ofgem
Commonwealth House
32 Albion Street
Glasgow
G1 1LH

19 September 2019

Dear Ms Barker,

RE: Ofgem's current thinking on P332 'Revisions to the Supplier Hub Principle'

I am writing to you on behalf of the Balancing and Settlement Code (BSC) Panel, to seek your views as to whether proposed modification P332 is in line with your current strategic direction and the extent to which you believe the issues which it raises will not be addressed. The Panel would particularly like to understand whether P332 is or will be within the scope of any of your programmes of work.

P332 has been on hold since September 2017, when the BSC Panel directed (in accordance with F2.6.10) the P332 Workgroup to pause work on the P332 solution. The Panel believed the [Significant Code Review \(SCR\) on Market-wide Half Hourly Settlement](#) (MHHS) could change the baseline against which P332 was being developed and assessed. Subsequent checkpoints with the Panel were scheduled to check whether P332 should re-start, remain on-hold or be withdrawn by the Proposer. Other Ofgem programmes of work, such as the [supplier agent functions under market-wide settlement reform](#) and the [future supply market arrangements](#) also had the potential to affect P332. It is worth noting that the [P332 webpage](#) contains further details on the history and work done to date on P332, including an Interim Report and previous Panel and Ofgem correspondence.

The P332 issue can be summarised as: the BSC when originally created was designed to support the Supplier Hub Principle and to this end is silent on the practice of 'customer-preferred agents' (CPAs). 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.

The Proposer believes that whilst the market has moved on (and seen ever more Agent/customer relationships, in part due to [P272](#) 'Mandatory Half Hourly Settlement for Profile Classes 5-8') over the last two years, the P332 issue has not yet been addressed under the BSC or any of the wider Ofgem initiatives. It remains unclear whether these initiatives will address the issues created by 'customer-preferred agents,' and he is therefore cautious about waiting any longer, given the length of time which has already passed since P332 was originally raised.

The Proposer also believes that P332 would not undermine the Supplier Hub Principle but would more easily and equitably facilitate alternative/innovative business models envisaged under, for example [P379](#) 'Multiple Suppliers through Meter Splitting'. This would be achieved by making Qualified Agents more directly accountable to the BSC.

ELEXON has re-assessed the scope of the original P332 issue against the new baseline of the [Target Operating Model](#) (TOM) for MHHS. This has identified that the issue of CPAs with respect to Settlement performance is likely to be confined to the Advanced Market Segment under the TOM. This

will comprise today's Half Hourly market plus any Non-Half Hourly settled Meters with Advanced capable metering already connected.

In terms of Agent roles, the impacted services are the Advanced Data Service and Advanced Metering Service, which will supersede today's Half Hourly Data Collectors and Meter Operator Agents¹. ELEXON note that the Unmetered Supplies segment also has a high proportion of CPAs, but is not subject to the same performance regime as the Advanced segment and so there is no equivalent issue.

The Proposer contends this was always the sector of the market impacted by the P332 issue, and in ELEXON's view the TOM has removed any theoretical need to apply it to the (primarily domestic) Smart Market Segment. This segment is generally less reliant on data collection agents, and domestic customers are therefore less likely to employ the services of a CPA.

ELEXON believes that this narrower scope reduces the impact on industry, specifically the retail arrangements for domestic customers, but would still be a significant Modification to assess and a significant impact on the Advanced Metered sector.

The P332 issue largely manifests itself in BSC underperformance. Since P332 was placed on hold a number of changes to the BSC arrangements have started to be progressed:

- [Issue 73](#) 'Review of fault management and resolution timescales' is proposing three changes to the BSC to improve the meter fault investigation and resolution process.
- [Issue 78](#) 'Measurement and monitoring of Settlement performance' is investigating what changes, if any, are needed to Supplier's performance standards and reporting given the evolution of the market and the upcoming move to MHHS.
- The [Performance Assurance Framework Review](#) is currently reviewing the Performance Assurance Techniques. One of the aims of the review is to be able to better target specific sectors of the market or market issues. In particular, the review of the performance standards, peer comparison, qualification and error and failure resolution may all better target underperformance in specific market segments.

In Ofgem's [previous provisional thinking](#) on P332, Ofgem made it clear that sufficient evidence had not been provided to demonstrate that the P332 issue was material and that it could not be addressed under the current arrangements. 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? Also, 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 any way?

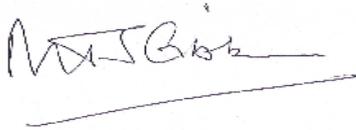
The Proposer believes that making Supplier Agents party to the BSC would affect the absolute nature of the Supplier Hub Principle, but is not necessarily a fundamental shift. ELEXON understand the Supplier hub was designed with the principle that it would be Suppliers and not customers contracting with Agents. ELEXON understands that you would require evidence that the Supplier hub model is no longer fit for purpose, were P332 to propose an amendment to it. However, in view of the likely work

¹ ELEXON notes that the Retail Energy Code (REC) plans to incorporate some or all of the Meter Operator Agent appointments process. This could fragment the P332 issue and any associated solution across the BSC and the REC

required to progress it, the Panel would like to understand whether P332 is or will be within scope of any of your programmes of work?

The BSC Panel stressed the importance of a timely response from you in relation to this request, ideally before the October 2019 BSC Panel meeting (10 October 2019), to enable the Panel to make an informed decision on how best to proceed.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M Gibbons", written over a horizontal line.

Michael Gibbons
Panel Chairman