

Cost Benefit Analysis Consultation Responses

P379 'Multiple Suppliers through Meter Splitting'



Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

This Cost Benefit Analysis Consultation was issued on 24 November 2020, with responses invited by 22 January 2021.

Consultation Respondents

Respondent	Role(s) Represented
BUUK Infrastructure	Distributor
Centrica	Generator, Supplier, Virtual Lead Party
Drax	Generator, Supplier, ECVNA, MVRNA
Ecotricity	Generator, Supplier
IMServ Europe	Supplier Agent
Northern Powergrid	Distributor
Octopus Energy	Supplier
OVO Energy	Supplier
Tech, Media and Telecom Energy Forum	Consultant
Siemens Managed Applications and Services	Supplier Agent
SMS plc	Supplier Agent
SP Energy Networks	Distributor
SSE Energy Supply Limited	Supplier
Utilita Energy Ltd	Supplier

In addition to the 14 respondents who returned the response form, we also received four letters from the following companies providing views:

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Respondent	Role(s) Represented
British Telecommunications plc (BT)	N/A
ScottishPower	N/A
Smart Energy Code Company Limited (SECAS)	N/A
Private individual	N/A

Question 1: **All Suppliers:** Are you responding to this consultation as an existing Primary Supplier, a prospective Secondary Supplier or both?

I am responding to this consultation as:

Summary

An existing Primary Supplier	A prospective Secondary Supplier	An existing Primary Supplier with a potential interest in Secondary Supply	Neutral/no answer
3	0	3	8

Responses

Respondent	Response
BUUK Infrastructure	Neutral
Centrica	Existing Primary Supplier with potential interest
Drax	Existing Primary Supplier
Ecotricity	Neutral
IMServ Europe	Neutral
Northern Powergrid	Neutral
Octopus Energy	Existing Primary Supplier
OVO Energy	Existing Primary Supplier with potential interest
Tech, Media and Telecom Energy Forum	Neutral
Siemens Managed Applications and Services	Neutral
SMS plc	Neutral
SP Energy Networks	Neutral
SSE Energy Supply Limited	Existing Primary Supplier
Utilita Energy Ltd	Existing Primary Supplier with potential interest

Question 2: Primary Suppliers: Approximately how many customers do you currently serve?
Please provide a numerical response in the accompanying excel template.

Responses

Respondent	Response
Centrica	We have provided only our number of electricity customers given this change will only affect electricity customers.
Drax	<p>This response is on behalf of Drax BSC Parties (Opus Energy and Haven Power).</p> <p>We are responding throughout this consultation as an existing Primary Supplier. Please note that Opus Energy and Haven Power are non-domestic Suppliers and so, volumes shown throughout (including in the accompanying Excel template) are based upon non-domestic customers only.</p> <p>Because P379 relates to electricity, we have provided below, the number of electricity customers only, that we supply.</p> <p>As at 01/12/20, Opus Energy and Haven Power supplied approximately 150,615 electricity customers.</p> <p>Please note that, you have requested customer numbers, as provided above, but for information, and as it is potentially more relevant, this equates to supplying 345,955 electricity meter points.</p>
Ecotricity	£200k
Octopus Energy	At the time of this consultation Octopus Energy serves 1.8 million UK electricity customers.
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	Our response is included in the excel template. We assume that customers refer to MPRNs. All information provided in the excel template is confidential.
Utilita Energy Ltd	CONFIDENTIAL

Question 3: Primary Suppliers: What changes do you expect to see in your costs to serve if your customers decide to engage Secondary Suppliers? (Costs to serve include developing new tariff structures and T&C's and keeping them under review and responding to new customer queries and issues). Please differentiate between one-off costs (£) and on-going costs (£/year) to serve. Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>Our quantitative response is in the attached spreadsheet and includes the contractual costs we will incur in modifying our relationships with supplier agents that takes secondary suppliers into consideration. As these are per annum costs, we have included them all in the ongoing costs sections of the spreadsheet but recognise some of these would have to be up front even if they were to be subsequently incurred per annum.</p> <p>We have significant operational ongoing costs, and these are based on the current costs of using half-hourly data agents. In the future we would expect these costs to come down significantly, up to twenty-fold, as we negotiate with our agents for having all customers half-hourly settled but we cannot currently speculate what those numbers may be.</p> <p>For reference we have included our broken-down costs for this question in a separate worksheet in the spreadsheet ('Q3 expanded') so it's possible to see what it would be like to scale up our non-half hourly versus half hourly contractual metering costs based on our current populations of these customers. These are still estimates, and act as approximations to the costs of implementing P379 before and after MHHS.</p> <p>Our operational costs include:</p> <ul style="list-style-type: none"> • The costs of appointing half-hourly agents and a CNA to all impacted meter points. • The additional FTE to manage exceptions (assumed 5% of secondary supply sites per annum), reporting and processes related to secondary supply. <p>There are qualitative issues that we have not been able to quantify:</p> <ul style="list-style-type: none"> • The impact on primary suppliers in terms of managing debt paths and having ability to pay discussions when the primary supplier may not be the (sole) cause of the customer entering debt. This will be more difficult and costly to manage as the

Respondent	Response
	<p>primary supplier will not have the whole picture of the customer’s energy expenditure and may impact its ability to fit prepayment meter / switch a smart meter to prepay if the secondary supplier cannot operate under prepay mode, or to accommodate a secondary supplier if there is a prepay meter on the premises.</p> <ul style="list-style-type: none"> • Managing metering equipment will be challenging as while the primary supplier will be responsible for the settlement meter any work carried out on the meter could impact metering / other equipment that the secondary supplier is responsible for – e.g. an electric vehicle chargepoint. Agreements will need to be reached as to who is responsible for fixing such issues to ensure there isn’t significant customer detriment. This could place an additional cost on primary suppliers. • We have in all cases assumed only one secondary supplier per customer as the complexity would likely multiply if there were more than two suppliers at a site.
Drax	<p>If P379 is approved, we would see increased costs to serve across a broad range of areas across the customer journey. Please note that, in order to avoid duplicating costs that we’ve included elsewhere in our response, including Q11) which captures costs related to new customer queries and issues, we’ve restricted our response to question 3 to costs to develop new tariff structures and T&Cs.</p> <p>Assumptions related to this response:</p> <p>Please note that, due to the short response deadline, we have, as advised, limited our responses throughout this consultation to the medium level 1% customer take-up (except for Q7 and Q8) and refer to Primary Supplier only throughout. We have not attempted to quantify what costs would be incurred if we were to become a Secondary Supplier but additional, material system and process costs would inevitably be incurred to enable this. All costs provided are, as set out in the separate Excel template, shown on this basis but would be significantly greater for the high (10%) scenario. In addition, all costs assume that scenario 1) under which SVAA arrangements (as referred to in the consultation) are used and which would be our preferred and lowest cost option.</p> <p>As explained in our response to Q5), if P379 is approved, it would also be far more costeffective to deliver it post-MHHS, in order to avoid the need for two sets of complex system and process changes concurrently and increased ongoing HHDC costs. Given the complexity of P379, and the number of key issues that have not yet been addressed, the proposed implementation date has already been delayed and is unlikely to be prior to 2024/2025. Therefore, implementation prior to MHHS appears unrealistic. All of our responses and costings</p>

Respondent	Response
	<p>assume implementation post-MHHS and exclude any costs that will be required for MHHS regardless of whether P379 goes ahead. If P379 was implemented prior to MHHS, it would necessitate additional material interim system and process costs, in addition to those provided within our response (including but not limited to the requirement for daily consumption data).</p> <p>Expected Impact:</p> <p>If P379 is approved, Primary Suppliers would face additional costs to provide T&Cs, as well as customer service to a customer with more than one Supplier. Customers with Secondary Suppliers could not be served under the terms of existing standard supply contracts.</p> <p>The complexity of our hedging and forecasting and associated risks would significantly increase. This is because (as explained in our response to Q7) in any HH Settlement period, any of our Half Hourly (HH) metered and HH Settled customers could be supplied by one or more Secondary Suppliers, and for potentially widely varying amounts of consumption in any Settlement Period (from 0%-100%). We would therefore need to amend our T&Cs and design new tariff structures in order to help mitigate these risks.</p> <ul style="list-style-type: none"> • Our Legal Team have estimated a cost of £25,000 in order to cover the Project costs of a one-off change to T&Cs. In addition, ongoing annual costs to review T&Cs are estimated at £5,000/year (10 hours at £500/hour). <p>Regarding tariff changes, it is likely that we would choose to place a greater emphasis upon standing charges to help cover fixed costs such as metering, and to help ensure that other third-party charges and environmental and other levies are adequately covered.</p> <ul style="list-style-type: none"> • Our Products and Propositions Team have estimated a one-off cost of £50,000 associated with this change to protect us as a Primary Supplier, by amending our standard products so that customers would have to pay extra costs as a result of their Secondary Supplier arrangement. <p>This estimate includes costs of:</p> <ul style="list-style-type: none"> • Customer insight to research customer use cases for Secondary Suppliers. • Product development time to amend our standard products (Define the rules our customers have to follow to take a Secondary Supplier and any costs they might need to pay). These rules might vary from product to product. • Marketing to promote the new arrangements and make sure customers were aware of the implications of taking a Secondary

Respondent	Response
	<p>Supplier.</p> <ul style="list-style-type: none"> • Internal training. <p>Note that, if customer uptake volumes were greater (e.g. 10%), more extensive tariff changes would be required and so both one-off and ongoing costs would be higher and new tariff books would need to be created rather than uplifting tariff elements such as standing charges.</p> <ul style="list-style-type: none"> • We would also need to continue to monitor the Secondary Supplier market as it evolved and react if needed and for this there is an estimated ongoing cost of £10,000/year to conduct that insight and review activity. <p>In addition, our Pricing Team have provided estimated costs associated with determining what additional costs the tariffs would need to recover for those customers having a Secondary Supplier and an assumed uptake of 1% of our customer base. These costs include:</p> <ul style="list-style-type: none"> • System changes to identify customers who take a Secondary Supplier, Billing system meter volume re-configuration and changes to our Pricing systems to manage aspects such as to charge cash-out and to include price uplifts (for the avoidance of doubt, references here to Billing system impacts are in addition to those costings provided in our response to Q4). • These costs are estimated at one-off system changes of £300,000 plus an additional £100,000/year in increased operational costs. <p>Responding to new customer queries and issues</p> <p>Please see our response to Q11 which covers additional estimated costs as a result of</p> <p>P379, including responding to new customer queries and issues.</p> <p>Variables or dependencies that could alter that impact:</p> <p>Given the concerns raised by a large number of Primary Suppliers, we believe that, if approved, it is important that P379 is not mandated. Smaller suppliers and new entrants in particular, could struggle to compete with the largest suppliers who have in-house Metering Agents and significant bargaining power given their large customer bases. If voluntary, and the perceived benefits do exist, commercial market forces and competition should encourage Primary Suppliers to engage.</p> <p>During discussions with Elexon, they have clarified that mandatory or voluntary, in the context of P379, refers to us acting in the capacity of a Primary Supplier for a customer who also has one or more Secondary Suppliers. Therefore, 'voluntary' would mean that Primary Suppliers could amend their T&Cs to prevent their customers from taking on a</p>

Respondent	Response
	<p>Secondary Supplier. 'Mandatory' would mean that Primary Suppliers would be compelled to allow their customers to take on a Secondary Supplier (but would not be required to offer Secondary Supplier services themselves). Although Elexon's clarification corresponds with the response criteria as set out in Q1), any different assumptions regarding the definition of 'voluntary' or 'mandatory' would materially influence the costs that we have estimated.</p> <p>If P379 was approved on a voluntary basis, with Primary Suppliers able to amend their T&Cs to prevent their customers from engaging Secondary Suppliers then the cost impacts detailed above would be considerably smaller than if mandated.</p>
Ecotricity	<p>We would see a number of costs which are extremely difficult to estimate accurately in advance. On top of developing new tariffs, we would see a general increase in cost to serve through customer service channels as it will be difficult for consumers to know who the correct supplier is to contact if they have a problem. This will spread out to an increase in ADR costs through Ombudsman Services: Energy. Cost to serve would make up a larger percentage of total costs as sources of revenue would be split amongst suppliers with very similar levels of account administration required.</p>
Octopus Energy	<p>One of the key principles of good customer experience is in providing the customer with a single place to resolve any queries or issues and providing customer service teams with the ability to solve any customer problem end to end. The worst experiences are when customers feel they are passed from pillar to post, with each party blaming another. For example, this is frequently cited in the experience of switching, even though it's a very well defined process, and in essence simple to understand. Internally, this approach has proved successful with Octopus Energy winning numerous customer service awards (uSwitch, Which) whilst scaling from zero to 1.8 million customers in just 5 years. This has necessitated the ability for internal team members to take ownership of an issue - and any move in the opposite direction is potentially disastrous for customer service and experience, risking massive reduction in satisfaction with the energy system, smart meters and the move to net zero.</p> <p>In addition to the financial cost to serve estimates laid out below and in our spreadsheet submission we believe there is unnatural complexity that undermines the standard licence conditions and presents customers with the real risk of detriment. This hidden cost is not quantifiable in £ terms but will risk serious reputational damage to the industry drive for a smart net zero future.</p>

Respondent	Response
	<p>These risks include, but are not limited to: Lack of transparency, billing misinformation, complex disputes, erroneous usage charges, inability to provide reliable informed choices, inaccurate payment adequacy reviews/credit balance adjustment requests.</p> <p>We agree and support the view that innovation is vital to building a greener, fairer energy system but strongly disagree with any motion to achieve this where there is a clear risk of customer detriment.</p> <p>As with all cost estimates in our answers, it is very difficult to quantitatively estimate the values requested due to uncertainty in the outcomes of implementing P379. We have attempted to estimate the one off project costs of adapting our systems, processes and customer interfaces to accommodate secondary suppliers (laid out in the spreadsheet). Given the size of our book we would expect to need to make these changes regardless of a 0.1% uptake or a 10% uptake and as such have applied the same costs throughout. We have estimated the additional ongoing cost to serve which we believe are driven by the below factors. Our estimates have been informed by our extensive experience building and serving smart energy propositions to customers.</p> <ul style="list-style-type: none"> • Customer support - as mentioned above we expect a significant increase in the cost of customer support from introducing the secondary supplier. Analysis of our smart tariff customers (Octopus Go and Agile) shows that they drive 2.6x the amount of contact than traditional tariff customers. We would expect this to be even higher for secondary supplier customers due to the introduction of a third party • Onboarding process - we would expect to have to make significant changes to our onboarding process in the world of secondary supply customers. Due to the different cost structure and risk profile of these customers (see question 7 below) they would require bespoke tariffs to manage that risk (as well as requiring bespoke hedges). We would expect to need to understand the nature of the secondary supply (EV, heat pump, other) to be able to accurately quote the customer, requiring a whole new onboarding process. We would also expect to have to revisit the quoted tariff once we have a better understanding of the nature and risk of the secondary supply. This would add an extra customer interaction • Home moves - we would expect the process of home moves to become significantly more intensive under the secondary supplier model. In addition to the additional risk on the primary supplier (question 7), in the case of a move out we would need to take on primary and secondary supply volumes and price the tariff appropriately to reflect this.

Respondent	Response
	<ul style="list-style-type: none"> Disputes - we would expect a significant number of disputes and/or queries relating to billing due to the volume splitting between two suppliers. Under primary supplier these are easy to resolve, we would rely on the capability of the secondary supplier operations team to resolve issues under P379 Complaints - the process of determining which supplier a complaint can be raised against will in itself be confusing for customers and the cost of Ombudsman cases that are incorrectly attributed to the main supplier carries a cost risk on top of the time taken to support customers through a complaints process
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	<p>Without the detailed requirements it is not possible to put forward an accurate estimate and, therefore, we have provided an estimate with a very wide band. However, if the secondary supply relationship became mandatory, the one-off costs are likely to be very significant and would have to be incurred to develop our IT systems irrespective of the uptake rate, as the functionality would have to be built, resulting in potentially very high costs.</p>
Utilita Energy Ltd	<p>As prepayment customers have been considered out of scope for this mod, the impact to us would be fairly limited. However, we expect the ongoing cost to serve will increase in response to the additional customer contact, increased complexity in billing and increased industry interaction.</p> <p>This modification will have the consequence that it reduces the chargeable volume of energy (i.e. each secondary supplier will take a proportion of the Primary Supplier's volume) this will mean the relative cost to serve each of these customers will be significantly larger than they are now. This relative cost for primary suppliers will continue to increase if the customer engages multiple secondary suppliers.</p>

Question 4: **Primary Suppliers:** What costs do you expect to incur to update and operate **billing systems** for customers with more than one Supplier? What proportion of these costs are additional to those needed for TERRE and shared SVA metering arrangements? Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>Our billing systems are not designed to recognise a second supplier so there will need to be significant changes and ongoing costs that we have priced into the attached form. This does not include our currently planned migration to new platforms, only additional costs we expect to incur.</p> <p>There will be no overlap with costs for TERRE and shared SVA metering arrangements, so the additionality element of the question is not applicable to Centrica.</p>
Drax	<p>Assumptions related to this response:</p> <p>All of the costs shown are additional to those needed for TERRE and shared SVA metering arrangements and assume a 1% take-up.</p> <p>Primary Supplier Billing system and process changes would be significant because Suppliers would need to ensure that they only bill customers for the volumes that they supply and which are currently based on the total volume of electricity consumed at the Boundary Point meter. Primary Suppliers would therefore need to deduct those volumes that SVAA notify them have been supplied by Secondary Suppliers from the Boundary Point meter readings. This will impact every HH Settlement Period for which a notification of Secondary Supply volumes has been received.</p> <p>SVAA would send a flow for every MSID for every HH Settlement Period to the Primary Supplier notifying them of the total amount of electricity to the Boundary Point Meter and also the amounts that the Secondary Supplier's Customer Notification Agent (CNA) has informed the SVAA that are assigned to the Secondary Supplier(s). This flow would be sent after the calculations have been run, approximately 3-4 days after real time.</p> <p>Expected Impact:</p> <p>Our internal systems would need to be changed in order to pick up these updates. In turn, updates would need to feed through to our billing systems. Our HH customers are billed monthly and</p>

Respondent	Response
	<p>so these changes would need to be captured and managed for every impacted customer for each monthly billing period.</p> <ul style="list-style-type: none"> • We have itemised estimated costs on the separate Excel template. This is shown as one-off system costs of £2,355,710.5 (based upon a 1% take-up). • We have (also based upon a 1% take-up and assuming implementation postMHHS) estimated ongoing annual FTE costs, including factors such as re-billing, Account Management and Change of Tenancy billing at 7 FTE, which equates to around £280,000/year. <p>In terms of ongoing operational costs, the presence of Secondary suppliers would inevitably increase levels of customer enquiries and a need to make billing adjustments. This would include the billing aspects of processes such as Change of Tenancy (CoT) and Disputed Reads. Primary and Secondary Suppliers would use their separate billing systems to bill customers for their proportion of meter splitting. It is inevitable that levels of billing-related enquiries would increase due to potential transparency issues. For example, if the Primary Supplier has supplied 80% of the boundary point meter read volumes since the previous bill and the Secondary Supplier(s) have supplied the balance of 20% (at different tariff rates), then the customer will not readily be able to reconcile their bills. This is likely to increase customer enquiries and complaints.</p> <p>For change of supply (CoS), although there are industry SLAs for key data flows, these are not always met in practice. If, for example, data related to Secondary Supplier reads are received late by the Primary Supplier (e.g. due to a failing by the CNA, the Secondary Supplier's HHDC or SVAA) the Primary Supplier could not simply stall billing its customers but would require this data in order to do so. This would create the need for increased estimated billing and adjustments.</p> <p>Variables or dependencies that could alter that impact:</p> <p>The presence of Secondary Suppliers would complicate and increase volumes of billing queries and would be likely to increase risks of bad debt. Costs related to bad debt have not been included above.</p>
Ecotricity	An answer to this question would be best provided by billing system developers.
Octopus Energy	We expect to have to reconfigure chunks of our Kraken billing engine to accommodate the P379 changes. We have estimated the project costs of doing this.

Respondent	Response
	<p>We have provided the same cost for 0.1%, 1% and 10% estimates since we would require the work to be done regardless of how many customers are on secondary supply.</p> <ul style="list-style-type: none"> • New systems to keep track of secondary supply relationships - we would expect to need to develop a whole new part of our CRM and billing system to keep track of the secondary supply relationships. This would extend beyond just a secondary supply register as we would be required to keep track of the type of secondary supply as well as some risk segment to inform pricing. • Secondary supply change events - we would need to adjust Kraken to deal with change in secondary supply events. These events would need to feed into our forecasting and hedging process as well as trigger any required tariff changes on a change in secondary supply status. • Rebuild our billing logic - we would need to rebuild the billing logic in Kraken in order to accommodate the extra step of subtracting secondary supply load. Including the total overhaul of price protection guarantees in line with current licence conditions. <p>For ongoing costs we have estimated a conservative increase in backend ops time to handle billing queries and issues.</p>
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	<p>As for our previous answer, without the detailed requirements it is not possible to put forward an accurate estimate and, therefore, we have provided an estimate with a very wide band. However, the one-off costs are likely to be very significant and would have to be incurred for billing systems irrespective of the uptake rate as the functionality would have to be built resulting in the potentially very high costs if secondary supply relationships became mandatory. An example of this occurring in the past is the Green Deal Scheme where the industry invested vast amounts of money to implement the scheme, and to develop new system and processes, but which had a very low take up and resulted in the scheme offering very poor value for money for customers. The costs of the scheme were not significantly lower due to the very low take up.</p> <p>There would be complexity around all aspects of customers' bills with a requirement to know all secondary supply volumes in order to settle and bill accurately. There would be complexity around all of the non-energy elements of bills that are required to be displayed, assuming that secondary suppliers picked up a share of these costs. We note that arrangements for non-commodity costs have not been considered as part of this proposal which may result in primary suppliers bearing a disproportionate burden as a result. Whilst we are not in favour</p>

Respondent	Response
	<p>of this proposal, we consider that any solution must consider the full end-to-end impact on the market and must not, as is the case with this proposal, be limited to certain aspects of the market.</p>
Utilita Energy Ltd	<p>As our billing system was not designed for this function, a large amount of complex work would have to be undertaken to ensure we could bill our customers accurately and on time for only their primary consumption.</p> <p>In terms of costs and expenses, this investment into a new or adapted billing system would be in addition to the changes already being made as a result of existing policy changes, e.g. smart metering programme, and faster switching. As many of these system adaptations and re-designs are likely to contain subsequent consequential changes, the actual cost of adding this functionality to our already changing systems is likely to be very high.</p> <p>This change will require project managers, developers and a robust testing team to deliver so we expect to pay hundreds of thousands in the upfront development costs alone. However, without more detail in the model, any estimates at this time for the cost to implement P379 cannot be representative of the actual cost to deliver.</p>

Question 5: Primary Suppliers: Under P379 Option 1, meter readings must be provided daily to the entity performing the splitting calculations for customers with more than one Supplier. What costs do you expect to incur to update and operate **settlement systems** with this functionality? Would your costs be different if P379 was implemented after/at the same time as MHHS? Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>Our meter reading costs are included in our answer to question 3. Our numerical response to this question is based specifically on IT systems costs in changing the settlement systems to accommodate customers having secondary suppliers.</p> <p>There would be significant economies of scope in ensuring that if P379 is implemented at the same time as MHHS in terms of changes to contractual arrangements. We would estimate that up to 80% of the operational costs would be incurred in implementing MHHS and so would not be applicable to P379, if P379 were implemented after MHHS. This includes the contractual costs mentioned in question 3 – one of the largest cost elements in our response.</p>
Drax	<p>Assumptions related to this response:</p> <p>As above, we have assumed a 1% customer take-up and that scenario 1) under which SVAA arrangements (as referred to in the consultation) are used and which would be our preferred and lowest cost option. It is assumed also, that ELEXON, with its strong track record of change, would manage any consequential updates that may be required to SVAA systems and would build in appropriate contingencies should systems fail, in order to ensure that Suppliers are not adversely impacted.</p> <p>P379 would require Suppliers to submit daily meter consumption via an elective HalfHourly Settlement process, until MHHS is implemented. Consumption would need to be provided on a daily basis to the entity performing the splitting calculations in order that the calculations could be run as soon as possible and up to date information provided to the customer. This is far more frequent than for current requirements.</p> <p>Increasing the frequency of these collections would impose additional costs on Suppliers.</p>

Respondent	Response
	<p>Under current arrangements, although we may have HH-capable meters, we bill our customers monthly, and only submit monthly readings into Settlements.</p> <p>Given the scope and complexity of change, it would be far more cost-effective to delay any proposed implementation until MHHS has been implemented and we have based all our costings on this basis (and excluded any costs that we would incur for MHHS, regardless of whether P379 goes ahead). This would avoid the need to make an initial set of changes for P379, for what could be very low initial customer volumes, followed by a second set of changes for MHHS.</p> <p>You have separate questions within the Consultation (Q19, 20 and 21) which target HalfHourly Meter Operators, Half-Hourly Data Collectors and Half-Hourly Data Aggregators regarding cost impacts to their systems and processes. These Agents are best placed to answer these questions and so we have not attempted to quantify these or to include them within our costings. However, please note that, although we've not attempted to include any element of these costs, because Suppliers contract with these third-party meter agents, we would expect costs to be passed on to us and so they should be taken into account as part of the CBA.</p> <p>Costings as provided in the separate Excel document template also do not account for complexities that may be encountered if the customer was to appoint their own HHDC.</p> <p>Expected Impact:</p> <p>We note that Q5 states that meter readings must be provided daily to the entity performing the splitting calculations for customers with more than one Supplier, but it is in fact HH consumption that must be provided (i.e. meter readings provide cumulative data whereas HH consumption applies only to electricity consumed in a specific HH Settlement Period).</p> <p>The data referred to is the HH data that Primary Suppliers will need to submit, via their HHDC, for the boundary point meter. HH reads provided by the Customer Notification Agent (CNA), as appointed by the Secondary Supplier, for fixed/% split of the boundary point meter read and from the Secondary Supplier's HHDC for metered assets BTM such as EV, would then be deducted from the total boundary point meter amount so that the Primary Supplier and Secondary Supplier(s) are assigned the correct Settlement amounts for billing purposes.</p> <p>One-off system and process costs to enable submission of HH data to the calculation entity would be significant. These system costs would be incurred regardless of takeup volumes.</p>

Respondent	Response
	<ul style="list-style-type: none"> • We have itemised estimated costs on the separate Excel template. One-off system costs are shown as £642,466.5 (based upon a 1% take-up). • Primary Suppliers would face additional settlement operation costs for customers with more than one Supplier. Assuming that the vast majority of requirements are automated, and that Elexon (SVAA) would calculate and issue details of the correct apportioned HH data, we estimate that 2 additional FTE would be required to manage additional ongoing activities and exceptions at a cost of around £80,000/year.
Ecotricity	It is difficult to estimate these so far in advance due to the number of unknowns. Once MHHS is in place we will be in a much better position.
Octopus Energy	<p>We expect to have to reconfigure some of our settlement systems to accommodate the P379 changes. We have estimated the project costs of doing this. Specifically we would expect to need to adjust our:</p> <ul style="list-style-type: none"> • Data flow handling • Settlement reconciliation processes • Gross margin calculation pipelines <p>We have provided the same cost for 0.1%, 1% and 10% estimates since we would require the work to be done regardless of how many customers are on secondary supply.</p>
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	<p>There are a number of large industry projects being progressed such as Faster Switching, the Targeted Charging Review and MHHS. These currently place (or will place) significant demands on suppliers to make changes to existing IT infrastructure.</p> <p>Seeking to implement P379 concurrently would place considerable extra strain on the same finite resource to deliver these existing infrastructure projects. We consider that P379 should be deprioritised until MHHS is delivered in order to free up resource to deliver these key projects. This would also provide an opportunity to better understand the customer take up of MHHS functionality, as this would help drive any business case for P379. Equally, we note that this proposal assumes that a separate switching process will be required for Secondary Suppliers. This appears to be at odds with next day switching, providing the potential to confuse and disengage customers.</p> <p>We recognise that the counter-argument is that there is more cost to re-work systems following MHHS and so P379 should be implemented together. The requirements of MHHS are far more well defined than P379, and so to bring them in together would likely lead to a delay in the MHHS project and, as noted above,</p>

Respondent	Response
	would incur additional costs for system capability for which customer demand is unproven.
Utilita Energy Ltd	<p>Delivering the P379 proposals at the same time as the MHHS programme does have some merit. However, Utilita are concerned that this additional work would extend the scope of work to be delivered introducing additional costs, complexity and risk. As a primary supplier, we are unconvinced of the benefits of this modification and question the merits of potentially putting the MHHS programme at risk to accommodate it.</p> <p>Delivering the solution to P379 after MHHS will be significantly more expensive given that it would have to be delivered as its own separate project rather than being designed in during the MHHS projects. Whilst the MHHS will not cover all elements of the P379 solution, such as the billing system, a significant proportion of the work will be in similar areas to the MHHS.</p> <p>Regardless of when P379 is implemented, as this mod is making fundamental changes to the settlement process (both primary and secondary suppliers will now submit their readings to a third-party calculation entity who will allocate what proportion of energy you are liable for) we expect there will be considerable upfront cost to developing this system. Please refer to our answer to question 4 as to why we are not able to provide an expectation of cost at this time.</p>

Question 6: Primary Suppliers: Would you anticipate any other significant **IT system costs** to allow for customers with more than one Supplier? If so, what are these costs?

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	We have allowed for potential changes to our internal settlement, forecasting and trading systems, which may all be affected.
Drax	<p>Assumptions related to this response:</p> <p>P379, if approved, would impact a wide range of processes across the customer journey. We have focussed upon expected significant IT system cost areas only. We have not included any ongoing costs, assuming they will be captured under business-as-usual activity. Costings shown are, as for our other responses based upon 1% take-up.</p> <p>Expected Impact:</p> <p>Of the other significant IT system costs, those relating to process changes to manage quotations and pricing for split meter customers are as shown on the separate Excel template.</p> <ul style="list-style-type: none"> • This is shown as £1,284,933 (based upon 1% take-up). <p>Variables or dependencies that could alter that impact:</p> <p>Costings above have focussed upon expected significant IT cost areas and so exclude potential cumulative smaller IT costs across different business areas. For example, if approved, P379 would be expected to have cross-code impacts, for areas such as Network charging impacts, which would necessitate further IT system changes and which, given the unknown impacts at this time, we have not attempted to quantify but which should be considered as part of the CBA.</p>
Ecotricity	We feel it is too difficult to estimate the costs accurately at this time.
Octopus Energy	All our IT costs have been covered in the other sections.
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	Existing suppliers have not designed their IT systems to allow this functionality and so it would cost suppliers significant amounts of money to implement it, which would ultimately have

Respondent	Response
	<p>to be passed on to customers. These increased costs would put additional strain on supplier finances during the recovery phase following Covid-19, without any clear business case being provided to demonstrate demand exists. It would involve very big IT system changes, with a high risk of implementation failure, and potentially very little use ultimately being made of the P379 functionality. It is not clear where liabilities sit should things go wrong, and there is risk of a supplier facing commercial loss and reputational damage by the actions of a secondary supplier. There are potential security risks around handling secondary suppliers' data, and increased transaction and storage costs as a result of processing more readings and data.</p>
Utilita Energy Ltd	<p>The existing business requirements document suggests that secondary suppliers may be able to use services other than the Central Switching Service (CSS) for registration.</p> <p>This would require us to invest significantly into an alternate registration system for Secondary Supply points. There would also be additional costs to the industry as a whole as each party will need to develop and maintain such a system.</p> <p>At this time, we do not see how this modification can proceed without being included under the auspices of the CSS.</p> <p>From a primary supplier perspective, all of our purchasing, metering and customer relationship management tools would need considerable redevelopment to support secondary supply. Please refer to our answer to question 4 as to why we are not able to provide an expectation of cost at this time.</p>

Question 7: Primary Suppliers: How would you manage the **volume risk** as a Primary Supplier if your customers chose to have more than one Supplier? What costs would you expect to incur to manage this risk? Please clearly state the assumptions you make in determining these costs.

Please differentiate between one-off costs (£) and on-going costs ([£/MW or £/MWh?]). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>We are continually adjusting our demand forecasting in line with changes in portfolio size and consumption so, assuming take up of secondary supply is gradual, then any costs will be negligible for all three uptake rates as we will be able to adjust our forecasting over time. There may be a cost if we saw a sudden jump in secondary supply volumes but this is highly unlikely so we have assumed any take up will be gradual for the purposes of this IA. Only at the higher end (10%) have we assumed the cost of half a full-time employee may be needed both one off and on an ongoing basis.</p>
Drax	<p>Assumptions related to this response:</p> <p>Because proposals under P379 would, from a volume risk perspective, have such a fundamental risk upon the Supplier business model, we have provided costings based upon 0.1%, 1% and 10% take-up.</p> <p>The impact on our Gross margin is key as this would almost all flow through to EBITDA because our costs would not be lower but we would have a reduced volume which would reduce value on the (current) marginal recovery basis. As referenced in our response to Q3) this would necessitate substantial increases in standing charges.</p> <p>The impact of P379 is so broad, that this question is difficult to answer at this stage and so we've therefore condensed our response to the still-general "likely costs associated with the introduction of a Secondary Supplier for a portion of our existing customers in our hedged book". It is therefore an order-of-magnitude style estimate at this point.</p> <p>Using the specified scenarios of 0.1%, 1% and 10% of our customer sites engaging a Secondary Supplier, we have assumed that:</p>

Respondent	Response						
	<ul style="list-style-type: none"> • Each site impacted consumes an 'average' amount of electricity annually, with the average defined as consumption/number of sites in portfolio. • Any customer undertaking a Secondary Supplier diverts 20% of their consumption to the Secondary Supplier on average. • Elexon (SVAA) data flows confirming that a proportion of the boundary point meter reads has been diverted to the Secondary Supplier(s) have been finalised (as Elexon have specified) 1 hour in advance, which is inadequate notice for us to sell back power in any market other than the imbalance market. • Any power sold back has been assumed as being subject to a mark-to-market loss of £20/MWh in all scenarios. (This is an assumed figure because in reality that could be either a gain or a loss, and of larger or smaller quantum than £20/MWh). <p>Expected Impact:</p> <ul style="list-style-type: none"> • Estimated one-off system costs. • Additional system changes will be required for hedging, trading and forecasting. We estimate a one-off system cost of £300,000. <p>Estimated additional ongoing costs per year.</p> <p>Scenario - Total losses on diverted volume</p> <table border="0"> <tr> <td>0.1%</td> <td>- £60,060</td> </tr> <tr> <td>1%</td> <td>- £600,600</td> </tr> <tr> <td>10%</td> <td>- £6,006,000</td> </tr> </table> <p>Primary Suppliers would be exposed to the cost of managing additional risks in respect of customers with more than one Supplier.</p> <p>In any given HH Settlement period, any of our HH metered and HH Settled customers could be supplied by one or more Secondary Suppliers and for potentially widely varying and unpredictable amounts of consumption (from 0%-100% supply). This would significantly increase the cost and complexity of hedging and forecasting and associated risks. This would adversely impact the Primary Supplier's Settlement position, in particular, as large volumes of customers could elect to be supplied by Secondary Suppliers at short notice.</p> <p>Although Secondary Suppliers would also need to adjust their position, because in practice they would be managing secondary volumes on behalf of their customers, their imbalance risks would be less extreme, and potentially with more advance notice, than for Primary Suppliers who face the risk that, in any given Settlement Period, the customer may require 100% of their supply from them, but equally they may require none. For Secondary Suppliers, it would also be their commercial choice whether to compete in the market and so</p>	0.1%	- £60,060	1%	- £600,600	10%	- £6,006,000
0.1%	- £60,060						
1%	- £600,600						
10%	- £6,006,000						

Respondent	Response
	<p>would factor these costs into their business models.</p> <p>From a hedging and forecasting perspective, because data from the Calculation Entity won't be finalised until 1 hour in advance, this is inadequate notice for us to sell back power in any market other than the imbalance market.</p> <p>Also, this does not take into account any volumes from metered Behind-the-Meter (BTM) assets such as Electric Vehicles (EV) for which consumption cannot be notified in advance. For customers who acquire BTM asset technologies such as EV, after P379, it could be argued that the presence of these additional assets does not impact the previous total boundary point meter read volumes, it would impact for those cases where BTM assets were already in place pre-P379 as could, for example be the case with early adopters.</p> <p>We imagine there could be a period of disruption and given the complexity of P379 arrangements there is no guarantee that significant volumes of customers would embrace it. However, regardless of whether 0.1% or 10% of customers were to utilise P379, Suppliers would still need to implement system and process changes.</p> <p>Variables or dependencies that could alter that impact:</p> <p>If P379 was approved on a voluntary basis, impacts upon Primary Suppliers would be far lower because it would be their commercial choice whether to allow customers to engage with Secondary Suppliers, weighing up the potential benefits against these systems costs.</p>
Ecotricity	We feel it is too difficult to estimate the costs accurately at this time.
Octopus Energy	<p>The proposed arrangements pose significant volume risk to the primary supplier, outlined below. This is very difficult to estimate accurately and will vary on a case by case basis and with the prevailing market volatility and structure.</p> <ul style="list-style-type: none"> <p>Free option - the requirement for the secondary supplier to provide their CVNs only one hour prior to delivery is effectively a free option on the wholesale (and any ToU costs) for the secondary supplier. The secondary supplier can choose whether to deliver the volumes they've hedged, not nominate and close their hedge at a profit or not nominate and carry the hedge to imbalance if prices are favourable.</p> <p>Uncertainty to delivery - the flip side of this is that the primary supplier has uncertainty in their delivery volumes all the way to 1 hour prior to delivery. Typically, responsible suppliers will look to minimise volume and price risk months to years prior to delivery, depending on the tariff they have agreed with the customer. This uncertainty would need to be priced into the primary supply contract. If primary supply volumes</p>

Respondent	Response
	<p>become very small, then the premium on that volume would need to be very large.</p> <ul style="list-style-type: none"> <p>Volume risk due to termination or creation of a secondary supply contract - the termination or creation of a secondary supply arrangement mid-contract would leave a large unhedged volume risk on the primary supplier. Given any HHS customer could become a secondary supply customer, the risk premium associated with this would have to be smeared across all these customers. The proposed immediate speed of secondary supply switching (flagged as a benefit) makes this risk even greater and hence the required risk premium even higher</p> <p>SOLR volume risk - the secondary supply arrangement concentrates the SOLR risk on individual suppliers. Typically when a supplier fails, their market exposure is absorbed by the supplier of last resort. Any costs of this exposure can be socialised with the wider industry as part of the SOLR process. With P379 any primary supplier with lots of shared customers with a failing secondary supplier would have direct exposure to their failure as they would inherit the volume risk of the secondary supplier at the point of failure</p> <p>We have outlined the one off project costs to reconfigure our risk and procurement systems to account for this. We have provided the same cost for 0.1%, 1% and 10% estimates since we would require the work to be done regardless of how many customers are on secondary supply.</p> <p>We have also estimated the ongoing cost of valuing this risk in the primary supply contract.</p>
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	<p>It is not possible to put forward an accurate estimate and, therefore, we have provided an estimate with a very wide band. In addition to the uptake rates it is necessary to know the percentage of supply that secondary suppliers would supply. As an example, an uptake rate of 1% with 90% supplied by a secondary supplier would present a much bigger volume risk than an uptake rate of 10% with 1% supplied by a secondary supplier. However, the one-off costs in order to put in place processes to manage this risk are likely to be very significant and would have to be incurred irrespective of the uptake rate. There are potential mitigating actions that could detriment customers such as increased risk premiums or the removal of customers from the standard pricing structure where there are secondary suppliers.</p>
Utilita Energy Ltd	<p>At this time there are too many unknowns at this point, so we are unable to predict how our volumes would be affected.</p>

Respondent	Response
	<p>However, we expect there may be a need for new explicit contractual arrangements to be agreed with customers to guarantee what the energy is used for. For example, if a secondary supply point is set up for an EV charge point, that the customer agrees to only use their EV charge point on this secondary supply. There will need to be considerations for what enforcement action would need to be taken if these contracts were breached.</p>

Question 8: **Primary Suppliers:** What additional **compliance costs** would you expect to incur if your customers have more than one Supplier?

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base.

(Compliance costs relate to codes and licences in respect of consumers with multiple Suppliers, e.g. information provision and GSOPs). Responses should clearly indicate which areas of compliance you would expect to be affected and how.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>This is a difficult response to quantify without an embedded set of rules around how secondary supply will impact primary suppliers. We forecast there will be additional monitoring to ensure that poor communication between suppliers does not lead to additional customer detriment and for there to be new internal audit processes to manage any additional compliance requirements.</p> <p>The main cost items will be in personnel and we imagine the cost will be largely fixed irrespective of how many customers have secondary supply, though the degree of monitoring and sampling may increase as more customers take on secondary supply.</p> <p>For all instances we have assumed the cost of half an FTE for setting up the compliance framework and then ongoing from that point onwards.</p>
Drax	<p>Assumptions related to this response:</p> <p>It has not yet been determined what changes to reporting etc would be required, which has made providing cost estimates particularly challenging.</p> <p>Because Secondary Suppliers would need to be fully licensed entities, a key principle should be that they should have all equivalent and appropriate compliance reporting obligations so that there is less risk of “free-riding” by Secondary Suppliers and no cross-subsidy by the Primary Supplier by reporting in any shape or form on their behalf.</p> <p>Theft-related reporting and obligations – who is the customer potentially stealing from? (presumably both Primary Supplier and Secondary Supplier?). How will the stolen units get back into Settlements? The Primary Supplier would ultimately be responsible and have added costs of Compliance.</p>

Respondent	Response
	<p>As well as complying with our licence obligations, there is also the cost of ensuring that the customer complies with their T&Cs and any monitoring under the contract.</p> <p>Expected Impact:</p> <ul style="list-style-type: none"> • We estimate one-off costs of £30,000 to amend/create reports plus additional related Compliance activity. • If 0.1% of our customers have a Secondary Supplier, we estimate a required ongoing additional 2 FTE (£80,000/year) to manage consequential Compliance-related impacts. • If 1% of our customers have a Secondary Supplier, we estimate a required ongoing additional 3 FTE (£120,000/year) to manage consequential Compliance-related impacts. • If 10% of our customers have a Secondary Supplier, we estimate a required ongoing additional 5 FTE (£200,000/year) to manage consequential Compliance-related impacts. <p>Certain customer obligations would be more challenging to fulfil if the customer has more than one Supplier (for example provision of information and Guaranteed Standards of Service). Both the Primary and Secondary Supplier would need to ensure that they continue to meet obligations they have in respect of that customer.</p> <p>Settlement impacts may potentially result in changes to Settlement performance targets and activities although no specific costings have been included.</p> <p>Variables or dependencies that could alter that impact:</p> <p>Further clarification of what the requirements on Secondary Suppliers will be, would enable Primary Suppliers to understand and better manage risks.</p>
Ecotricity	We feel it is too difficult to estimate the costs accurately at this time.
Octopus Energy	<p>We would expect some additional compliance costs to implement the P379 solution. It is difficult to estimate these costs without knowing the details of the regulatory framework that would need to be developed to protect customers in the world of secondary supply. As such we have added a provision for the assessment and implementation of a compliance framework for secondary supply.</p> <p>We have not factored in any ongoing costs due to the difficulty in estimating this number accurately. In reality we would expect to need extra compliance resource to manage secondary supply requirements.</p>
OVO Energy	CONFIDENTIAL

Respondent	Response
SSE Energy Supply Limited	<p>There are data ownership issues with potential constraints on the use of secondary suppliers' data, and it is not clear if there would be any GDPR considerations. Data ownership between the two parties would need to be agreed. Suppliers can't take or use data without consent and suppliers could prevent their data being passed on.</p> <p>There may be ways where customers could try and avoid being billed by preventing certain access to data. This whole area could be very complicated and would have to be resolved irrespective of the uptake rates.</p> <p>The full compliance costs are impossible to assess as this is an unknown area, which is likely to have supply licence implications. Some of the issues in this area also have the potential to ripple out to require changes to other Electricity Industry Codes.</p>
Utilita Energy Ltd	<p>The most recent stakeholder workshop slides confirm that secondary suppliers must have a licence and be registered as a supplier in the BSC. However, the existing regulations would require considerable reconsideration to accurately reflect the new market structure to ensure that compliance and liability sit with the appropriate/relevant party.</p> <p>P379 introduces an entire new interaction which has limited precedent in the market. As such, there are likely to many new areas which contribute to additional compliance costs these would included (but not limited to):</p> <ul style="list-style-type: none"> - GSOP - Potential maintenance of a new registration system - Maintaining the integrity of Secondary supplier appointments - Managing changes in customer and customer circumstances (including the customer owned hardware if the meter is built-in.) - Managing interactions between suppliers (including resolving escalations and disputes) - Green obligations - Policy Costs <p>One of the areas where additional costs are going to incurred is the interactions between a primary and secondary Suppliers. For example, the primary and secondary suppliers will be required to provide at least daily readings so the chargeable volume of energy can be calculated for each party. When acquiring these reads is not possible due to a failure in comms, some form of estimation will need to be in place with a potential for a reconciliation process once reads are received. In the current drafting of the modification this is not set out in any detail so it is not possible to provide an estimate of costs. If any of these parties is unable to provide their readings, this could</p>

Respondent	Response
	generate delays or inaccuracies to one parties billing or refund processes.

Question 9: **Primary Suppliers and Secondary Suppliers:** To what extent might you expect the increased market participation of Secondary Suppliers to lead to **additional Supplier failures** and why?

Please provide your response and additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>The recent glut of supplier failures has been caused primarily by financially irresponsible and undercapitalised suppliers. Ofgem is introducing new requirements to make market entry tougher and these should also apply to secondary suppliers. We have proposed Ofgem goes further requiring all suppliers to guarantee 100% of their liabilities to ensure these costs aren't mutualised should they fail.</p> <p>Secondary supply will provide opportunities for smaller more nimble market entrants who are likely by virtue of their size to be more susceptible to failure – as it will be harder for them to access bank guarantees and letters of credit compared to larger entities.</p> <p>Therefore, even with strict market entry requirements there is likely to be increased likelihood of supplier failures.</p> <p>Supplier failures by themselves are part of a healthy market and if primary suppliers are not required to pick up the liabilities of secondary supplier then they should be manageable.</p> <p>We also have concerns as to how the supplier of last resort process will work with secondary suppliers. If P379 is approved ELEXON should work closely with Ofgem to set up a working group to address this concern.</p>
Drax	<p>Assumptions related to this response:</p> <p>The answer to this question will very much depend on which costs/charges the Primary or Secondary Supplier is liable for, e.g. Renewables Obligation, Feed-in Tariffs, Capacity Market, network charges, imbalance costs, etc. At one end of the spectrum, if the Primary supplier is ultimately liable in the event of a Secondary Supplier default, then the consequential risk to Primary Suppliers of financial distress is very high as they will not have been able to forecast and provision for the default of the Secondary Supplier.</p> <p>In that case, the Primary Supplier is likely to add a risk premium to cover the costs/charges that the Secondary Supplier would otherwise have been expected to pay.</p> <p>Consumers would then either pay that higher cost due to the risk premium, or the service would become unaffordable and thus the consumer wouldn't take it up, negating any benefits</p>

Respondent	Response
	<p>from enabling the service.</p> <p>At the other end of the spectrum, if the Secondary Supplier is wholly liable for their share of risks and charges, then any Secondary Supplier default would be mutualised across the remaining supplier base, resulting in commensurately far less financial exposure to any single Primary or Secondary Supplier.</p> <p>It is unclear if Secondary Suppliers are at all liable for any mutualised costs. MSID based charges that the Primary Supplier incurs currently would continue to fall disproportionately on the Primary Supplier only. Our understanding is that, in the event of Secondary Supplier default, the costs/charges that the Primary Supplier would be liable for are supply volumes to the customer, charged at the unit rates in that customer's Primary Supply contract. Our expectation is that any 'money owed' by the Secondary Supplier would be socialised across all suppliers/consumers.</p> <p>According to the Citizens Advice Bureau, the cost to households from Supplier failures for the period from January 2018 to October 2019 could be around £172m. It is likely that some Secondary Suppliers will be thinly capitalised making the risk of Supplier failure greater than average. It would not be possible for us to calculate what the likely cost to industry would be, but one possible suggestion would be to pro-rata the amount that has been mutualised in recent years, taking into account how much cost is likely to be attributable to Secondary Suppliers and potentially uplifting to account for the fact that Secondary Suppliers are likely to be less financially secure than Primary Suppliers, in order to give an estimate of potential financial exposure.</p> <p>Expected Impact:</p> <p>Increased market participation by Secondary Suppliers will lead to increased levels of Supplier failure, imposing additional costs on Suppliers and consumers. If new Secondary Suppliers enter the market, it would be important that adequate credit cover arrangements are mandated, given the increased risks of supplier failure. In addition to risks such as RO Mutualisation costs, if the Primary Supplier is required to pick up supply volumes previously supplied by the Secondary Supplier(s), then the customer would also see a change to their tariff rates and to the make-up of their supply. For example, they may previously have been supplied via a Secondary Supplier with a partial supply from a local Community Wind Farm at a low tariff rate, but the Primary Supplier would not be supplying from the same source or at the same tariff rate. In that instance, not only would the Primary Supplier potentially see an increase in complaints, for reasons outside its control, but it would also incur balancing-related charges in order to supply the shortfall. There's also a risk that the customer would, as a result of the</p>

Respondent	Response
	<p>Secondary Supplier's failing, then switch from the Primary Supplier if it's not offering the same proposition.</p> <p>Variables or dependencies that could alter that impact:</p> <ul style="list-style-type: none"> • Clarification regarding which costs Secondary Suppliers would be liable for and a requirement for robust credit cover requirements. • Ofgem has proposed new financial checks and tests for energy suppliers (both existing and new entrants) to try to reduce the risk of supplier failure given the high incidence of Supplier failure. However, these checks/tests will not prohibit or limit thinly capitalised Suppliers from operating in the market. As such, they are unlikely to have a tangible effect on the frequency of Supplier failures.
Ecotricity	<p>The landscape will significantly change and revenue will be less reliable, as well as industry costs being higher so we would expect an increased amount of supplier failures.</p>
Octopus Energy	<p>We have outlined the volume risks of secondary supply due to SOLR in question 7. We would expect a significant increased risk of supplier failures in a secondary supply world due to:</p> <ul style="list-style-type: none"> • The correlated volume risks outlined in question 7 – the proposal couples the volume risk of the primary and secondary supplier. This means a secondary supplier can cause direct detriment to a primary supplier and in the worst case scenario lead to a chain of SOLRs • New entrants into the secondary supply market would likely have higher SOLR risk than more established participants. This is compounded by the unknown risks of the new secondary supply arrangements to both primary and secondary suppliers. • The instantaneous secondary supply switching poses large risk to secondary suppliers as well as promoting a race to the bottom on price only.
OVO Energy	<p>CONFIDENTIAL</p>
SSE Energy Supply Limited	<p>Implementation of P379 will require primary suppliers to spend significant amounts of money to accommodate the new arrangements, which in itself will place additional financial strain on suppliers during the recovery phase of Covid-19. As things stand the primary supplier is responsible for picking up all costs associated with maintaining the MPRN including those related to the agency services, and also distribution and transmission charges. These costs would need to be fairly allocated across all primary and secondary suppliers. Issues around primary suppliers obtaining secondary supplier data and putting in place robust processes could lead to primary suppliers having billing</p>

Respondent	Response
	<p>issues which could lead to cash flow problems due to slower and less accurate billing.</p> <p>It is also not clear how the SoLR process would work should either supplier fail (would the secondary supplier remain at the MPRN on the appointment of the SoLR, for example,) or how SoLR costs would be socialised between primary and secondary suppliers. Ofgem’s existing Supplier of Last Resort process would require to be adapted to take account of the added complexity of secondary suppliers, particularly should secondary customer records to be held distinct from primary customer records in industry systems. Primary suppliers might be prevented from ‘bidding’ for secondary customers unless they were also a secondary supplier, potentially representing a worse outcome for consumers. Ofgem’s processes to apply for, amend, and revoke licences might also need to be revisited to take account of these changes.</p>
Utilita Energy Ltd	<p>This modification will increase the complexity and volume of all bills in the electricity market and fundamentally change the way the market handles credit customers.</p> <p>Producing accurate energy bills on time already requires that a supplier’ billing system can adjust for –</p> <ul style="list-style-type: none"> • Multiple Tariffs • Readings and Estimations • Multiple Registers • Meter Exchanges • Change of Supplier • Change of Tenancy • Erroneous Billing periods <p>All of these above processes will need to be re-evaluated to bill when a secondary supplier has been introduced. This risk to primary suppliers is compounded as the number of secondary suppliers for a supply increases as the higher the relative cost becomes to provide that customer with service.</p> <p>Effectively, secondary suppliers will increase the initial and ongoing cost for primary suppliers to bill – while decreasing the total amount of chargeable energy the primary supplier can charge for.</p> <p>We are concerned that as it stands, this modification puts the majority of the risks above on the existing primary suppliers. Additional risk suggests that supplier failure is more likely.</p>

Question 10: Primary and Secondary Suppliers: Would you anticipate any potential for misuse or mis-selling associated with secondary supply? If so, please describe these risks and how material you expect them to be. Please provide a response in the box below.

Responses

Respondent	Response
Centrica	There will always be opportunities for mis-selling in any market and we would expect Ofgem to use powers under consumer law to ensure that enforcement is swift and effective against secondary suppliers. To ensure a level playing field the requirements around sales should be equally applicable to both primary and secondary suppliers as appropriate.
Drax	<p>Assumptions related to this response:</p> <p>By definition, P379 increases the number of customer interactions and contracts (primary and secondary) being sold. It is reasonable to assume that the more sales that take place, the greater absolute incidence of mis-selling there will be. The P379 arrangements are also extremely complex which increase the likelihood of mis-selling to occur (inadvertently or intentionally), particularly at the smaller and less sophisticated segments of the market.</p> <p>Additionally, as we have seen in the TPI/broker market, where regulation (Trading Standards) is softer and/or there is less oversight (due to there being too many entities for the regulator to actively monitor) and/or where there is less media scrutiny and brand/reputation damage is less profound, then there is considerably more scope for unscrupulous market participants to operate.</p> <p>Expected Impact:</p> <p>With the potential for multiple suppliers/brokers involved with a single meter point, it may be difficult for customers to be certain that advice, contracts and prices being offered are genuine and in their best interests.</p> <p>There is a risk that Secondary Suppliers could give customers unfavourable contract terms with "volume tolerances" built in, such that if a customer does not contract sufficient electricity from the Secondary Supplier, they would incur charges. Customers could also face high exit charges.</p> <p>There could be potential mis-selling by Secondary Suppliers and TPIs.</p>
Ecotricity	This will depend on market monitoring at the time and would be best answered by the industry regulator.

Respondent	Response
Octopus Energy	<p>Yes we would expect there to be an increased risk of mis-selling in a secondary supply market due to:</p> <ul style="list-style-type: none"> • Confusion between comparison of the primary deal and secondary deal (e.g. secondary supply offering no standing charge and customer thinking that is across both suppliers) • The increased complexity of multiple supply contracts and bills. Octopus has lots of experience in building smart energy propositions for customers and we've learnt that ensuring communications are clear is essential to avoid confusion. • Squeezed margins due to sharing of fixed costs across a much larger supplier base will likely lead to a race to the bottom and keen selling practices <p>Primary suppliers also risk the perception of mis-selling where annual usage information becomes an unreliable source of quoting monthly and annual charges. In order for primary suppliers to provide accurate quoting information they would no longer be able to rely on the TCDV in the instance where usage is unknown. Further where a customer is aware of current estimated annual usage but not of projected deductions via a secondary supplier the primary supplier will not be able to quote or hedge effectively.</p>
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	<p>There is no percentage limit at each MPRN currently proposed for secondary supply. This means that secondary suppliers could take up large percentages of the overall supply at MPRNs leaving the primary supplier with a minority of the supply, but with the costs of maintaining the MPRN and also, as things stand, picking up all costs under the DCUSA and CUSC as no modifications have been raised under these codes to recognise secondary supply. There are also metering business considerations and the costs associated with parties performing meter reading and meter operator services.</p> <p>There could potentially be anti-competitive behaviour by secondary suppliers, including very aggressive or loss-leading pricing. It is unclear how this proposal will be impacted by other relevant licence obligations (e.g. domestic conditions relating to 'ability to pay', offering a wide choice of payment methods, complaints, guaranteed standards, etc). It is difficult to envisage P379 being implemented without any consideration being given in this proposal to the number of significant knock-on impacts elsewhere within the licence conditions and other related obligations. In an environment where there is a level-playing field between primary and secondary suppliers with regards to regulatory and financial obligations (e.g. relating to non-commodity costs) we would expect the risk of mis-selling to</p>

Respondent	Response
	<p>be low. However, were P379 to be implemented in such a way as to appear to confer on secondary suppliers a regulatory / cost advantage we would anticipate a significantly greater risk of mis-selling.</p>
Utilita Energy Ltd	<p>Utilita are concerned with the proposed management of secondary supply points.</p> <p>Maintaining these separately from primary supply points may make it more complicated to engage with. The industry has spent years developing its systems and processes since de-regulation and more recently, developing the faster switching programme deliverables to specifically take into account the activities of price comparisons amongst other factors. This proposal, as it stands fails to set out the detail which will enable robust, reliable and transparent switching.</p> <p>Without further detail, identifying the risks for misuse is highly subjective.</p>

Question 11: Primary Suppliers: Are there any other costs that you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of your residential customer base.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	<p>We expect that the number of complex customer queries will increase, some may require tri-partite processes to include the primary and secondary supplier as well as the customer. This may require significant changes to customer-facing processes, and additional teams to deal with them.</p> <p>The SEC has raised concerns around the impact of P379 on the smart metering benefits case. These issues would need to be addressed or those lost benefits will be an additional cost upon suppliers and the energy industry.</p>
Drax	<p>Assumptions related to this response:</p> <ul style="list-style-type: none"> • Our costings are, as above, based upon a 1% uptake rate. • P379 would impact a broad range of systems and processes across the customer journey, such that our response captures only some of the more obvious areas impacted. For example, potential GDPR issues have not been considered. • If approved, P379 would necessitate a range of cross-code changes, none of which have been included within our response. Given the impact to network charges, it would be advantageous to implement P379 post Access and Forward Looking Charges changes. • Our customers could potentially contact us at any stage of the customer journey regarding an issue which they should have directed to their Secondary Supplier, thereby increasing our cost to serve and with inevitable increased complaints through no fault as a Primary Supplier. • For the complaints costings below, we have made an assumption that a 1% uptake rate, would, due to the complexity of P379, equate to a 2% uplift in complaints. <p>Expected Impact:</p> <p>Call Centre</p> <ul style="list-style-type: none"> • Based upon a 1% uptake rate, this would equate to approximately 2 additional FTE. The increased Call Centre costs has been estimated at £81,600/ year.

Respondent	Response
	<p>Complaints – The presence of one or more Secondary Suppliers would inevitably increase the number and complexity of complaints. This could have an adverse customer impact, if customers end up acting as “piggy in the middle” between Primary and Secondary Supplier(s) in order to seek a resolution to their complaint. There are a host of different issues for which, through no fault of its own, the Primary Supplier would be likely to experience notable increases in complaint volumes and complexity. Note that, as well requiring additional FTE to manage these complaints, if the complaint goes to the Ombudsman, but the Primary Supplier is determined not be at fault, they are still liable for Ombudsman case fees (currently £408/complaint). If a customer has a complaint regarding an issue created by the Secondary Supplier(s) it is likely that the Primary Supplier may need to be involved in order to help resolve the issue. In practice, it’s likely that the customer may simply contact their Primary Supplier by default, in a similar way to which some customers with supply failures contact their Supplier rather than their Distribution Network Operator.</p> <ul style="list-style-type: none"> • Working with our complaints team, they estimate that an uptake of 1% would lead to an approximate 2% increase in complaints and at least one additional Ombudsman case per month. This increase equates to around 2 additional FTE, plus additional Ombudsman-related costs. The increased cost of complaints has been estimated at £81,600/year. <p>Change of Tenancy (CoT) – If Customer A) has both a Primary Supplier and a Secondary Supplier(s), then moves out and Customer B) moves in, Customer B) would have a default supply contract with their Primary Supplier but would not enter a deemed contract with their Secondary Supplier. The onus would be on the Secondary Supplier to maintain the relationship with customers and potentially recover costs if they renege on their contractual obligations.</p> <p>From a Primary Supplier perspective, this would be likely to increase complexity and levels of customer enquiries. In practice, CoTs are often identified after the event and so there could be various issues to resolve which, whilst potentially burdensome where there is only one Supplier involved, would be exacerbated if there were multiple Suppliers.</p> <p>For the example above, let’s assume that, for the period up to the point that the Primary Supplier is made aware of the CoT, that the Primary Supplier has supplied 60% of the total boundary meter units to Customer B and the Secondary Supplier has supplied 40%. This scenario would create a number of issues including:</p> <ul style="list-style-type: none"> • The Primary Supplier would need to amend its final bill to Customer A; • The Primary Supplier would need to back-bill Customer B but for 100% of consumption from the CoT date (rather than 60%) and at a different tariff rate to that applied by Customer A (for its 40%).

Respondent	Response
	<p>This would also create an imbalance position.</p> <ul style="list-style-type: none"> • Change of tenancy meter reads would need to be determined. • Customer B may raise a complaint to the Primary Supplier for what could be a significant back-bill. • The Secondary Supplier(s) would need to unpick/resolve their billing issues with Customer A and, because they would not have a deemed contract with Customer B, would not be entitled to bill them which could leave them with an imbalance position. • If there are behind the meter assets for Secondary Supply (e.g. EV charging) the Secondary Supplier could be left with stranded meter assets. • Working with our CoT Team, they estimate that an uptake of 1% would, assuming a 1% increase in complex CoT queries (complex, given the presence of more than one Supplier) equate to around 1.5 additional FTE. <p>The increased cost of CoT handling has been estimated at £61,000/year.</p> <p>Erroneous Transfers (ETs) – the rules governing ETs may need to change, e.g. if a Supplier erroneously registers an MPAN which has both a Primary Supplier and a Secondary Supplier associated with it. Unpicking the erroneous period would have added complexity because the customer should be billed at a different rate for each of the Primary and Secondary Supplier(s). Matters could be complicated further if, as is the case for some of our customers, ETs are for Housing Associations for which the contractual relationship is with the Housing Association and not the end consumer. There would be additional Compliance costs to comply with regulatory requirements (MAP 10) and associated FTE impacts and potential system impacts.</p> <ul style="list-style-type: none"> • We estimate that an uptake of 1% would require 1 additional FTE. The increased cost of managing ETs has been estimated at £40,000/year. <p>Disputed Reads – If meter splitting is taking place, where, for example, a Secondary Supplier is supplying a fixed/% amount of the boundary point meter and a meter reading is disputed, there will be more parties involved in the dispute resolution and added complexity to agree correct readings for all Suppliers involved. There could be added costs to comply with regulatory requirements (MAP08) and associated FTE impacts and potential system impacts.</p> <ul style="list-style-type: none"> • We estimate that an uptake of 1% would require 1 additional FTE. The increased cost of managing Disputed Reads has been estimated at £40,000/year. <p>Theft – Who is the customer potentially stealing from? (both Primary Supplier and Secondary Supplier). How will the stolen units get back into Settlements? The Primary Supplier will be responsible and have added costs of Compliance.</p>

Respondent	Response
	<ul style="list-style-type: none"> • We estimate that an uptake of 1% would require 0.5 additional FTE. The increased cost of managing Theft has been estimated at £20,000/year. <p>Disconnections – Although the presence of the Secondary Supplier should not prevent the Primary supplier from disconnecting the meter (e.g. due to non-payment of debt) the Primary Supplier may need to make the Secondary Supplier aware because, as a Secondary Supplier’s volume is determined by the amount that a customer consumes via the boundary meter, they would not be in receipt of any supply volumes for that customer for the duration of the disconnection.</p> <ul style="list-style-type: none"> • We estimate that an uptake of 1% would require 0.5 additional FTE. The increased cost of managing Disconnections has been estimated at £20,000/year.
Ecotricity	We feel it is too difficult to estimate the costs accurately at this time.
Octopus Energy	Although not quantifiable in £ terms we believe there is a substantial opportunity cost both for Octopus Energy and the wider industry in preceding with P379. As outlined in our answer to question 27, secondary supply will concentrate on those suppliers who are already pushing ahead with elective HHS and smart energy propositions. The system and business changes outlined in our answers above will displace other smart energy projects and propositions being developed today.
OVO Energy	CONFIDENTIAL
SSE Energy Supply Limited	<p>There could be a number of unintentional consequences on customers, for example, if the primary supplier isn’t paid and the customer gets cut off, then the secondary supplier is also cut off. It also remains unclear how change of tenancy processes will be coordinated whilst other complications can arise, such as where PV is attached to a property. Also, if the secondary supplier doesn’t pass on its data to the primary supplier in a timely manner it would affect customer billing.</p> <p>There are lots of non-commodity electricity charges and it is not clear where these would sit. It doesn’t work from a network charging point of view, and it has the potential to create a two-tier market with the secondary supplier having much lower costs. Costs under the CUSC and DCUSA, including those introduced by the TCR, would not be apportioned properly as the primary supplier would have all of the costs, risks and obligations. DCUSA and CUSC mods would be required to correct this.</p>
Utilita Energy Ltd	In addition to the costs we have listed in our previous answers, there will be a significant time and financial cost in developing this proposal into detailed requirements. We also expect to identify further costs as the modification develops and we get closer to a final design.

Respondent	Response
	<p>This mod is making a fundamental change to how the market works, any room for interpretation or variance between suppliers could impact this modifications success.</p> <p>Therefore, the upfront cost spent reviewing and developing this modification must be factored into the cost benefits case.</p>

Question 12: **Secondary Suppliers:** What **costs to serve** would you expect to incur in order to take on customers as a Secondary Supplier?

(Costs to serve include developing new tariff structures and T&C's, both keeping them under review and responding to new customer queries and issues).

Please differentiate between one-off costs (£) and on-going costs (£/year) to serve. Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	Please see our response to Q3. It is currently unclear what regulated duties will be placed upon the secondary supplier and this may impact costs that we cannot forecast.
Ecotricity	These costs will be very similar to those for being a primary supplier in this scenario.
Utilita Energy Ltd	<p>The initial costs of setting up systems to be able to operate as a primary supplier should P379 be implemented would be significant, any additional cost of developing the capability to operate as a secondary supplier would be a commercial decision dependant on a cost benefit analysis.</p> <p>There may also be additional costs in the interactions between primary and secondary suppliers such as potential data sharing.</p> <p>Also please refer to our answer for question 3 for more detail.</p>

Question 13: **Secondary Suppliers:** What **billing system** costs would you expect in order to take on customers as a Secondary Supplier?

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	It is unclear what additional costs we may incur as a secondary supplier. In most instances the costs of setting up a secondary supply will likely be more than assigning a second MPAN to the site as our billing systems are designed to accommodate separate MPANs.
Ecotricity	These costs will be very similar to those for being a primary supplier in this scenario.
Utilita Energy Ltd	<p>As our billing system was not designed for secondary supplies, a large amount of complex work would have to be undertaken to ensure we could bill our customers accurately and on time for only their secondary consumption.</p> <p>Please refer to our answer to question 4 as to why we are not able to provide an expectation of cost at this time.</p>

Question 14: Secondary Suppliers: To what extent do you expect to rely upon appliances with built-in metering? For what proportion of customers would you expect to install new metering external to the appliance? Given this, what **metering costs** would you expect to incur?

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	It is unclear what additional costs we may incur as a secondary supplier.
Ecotricity	This is very difficult to predict so far in advance.
Utilita Energy Ltd	<p>The proposed models do not provide enough detail to fully assess the metering costs, however we would want to make sure the following are considered:</p> <ul style="list-style-type: none"> • Metering costs between primary and secondary Suppliers. • Economic efficiency of secondary metering • Operational costs. • Costs to serve. • Where responsibilities sit between suppliers including compliance. • Accuracy of appliances with built in metering. • Asset responsibility. • Consumption reconciliation and accuracy <p>We understand from the BRD that secondary meters must follow COP11 compliance, however does this extend to appliances with built in metering? If so, how would this be achieved in a practical way? Standardised reliable built in metering is required for suppliers to have confidence in the readings.</p> <p>If additional meters do have to be installed into the property to allow for a secondary supplier, there will be additional costs in installing the assets and additional distribution to the customer.</p> <p>Please refer to our answer to question 4 as to why we are not able to provide an expectation of cost at this time.</p>

Question 15: **Secondary Suppliers:** Under P379 Option 1, meter readings must be provided daily to the entity performing the splitting calculations for customers with more than one Supplier. What costs do you expect to incur to implement and operate **settlement systems** with this functionality? Would your costs be different if P379 was implemented after/at the same time as MHHS?

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	It is unclear what additional costs we may incur as a secondary supplier.
Ecotricity	These costs will be very similar to those for being a primary supplier in this scenario.
Utilita Energy Ltd	<p>Please refer to our answer for question 5 to our views on delivering this change during or after MHHS.</p> <p>There are too many unknowns regarding the registration system for secondary suppliers. Will this be, effectively, a CSS lite or will it have different functionality regarding registration processes, such as disputes?</p> <p>Additionally, we have concerns that option 1 expects both primary and secondary suppliers to submit daily readings to a new BSC calculation entity who will determine the chargeable volume of energy for each party. As we know from our experience in SMETS1 & SMETS2, WAN is not guaranteed to always be available and therefore we expect to not get data every day from all metering points – how will splits be determined if both suppliers are using estimates.</p>

Question 16: **Secondary Suppliers:** How would you manage the **volume risk** associated with providing secondary supply to a customer who already has a Primary Supplier? What costs would you expect to incur? Please clearly state the assumptions you make in determining these costs.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please differentiate between one-off costs (£) and on-going costs ([£/MW or £/MWh?]). Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	No different to how we manage volume risk as a primary supplier (Q7) and any costs will be negligible / wrapped into primary supplier costs.
Ecotricity	We feel this is too difficult to predict at this time.
Utilita Energy Ltd	Please refer to our answer to question 7 for potential risks.

Question 17: **Secondary Suppliers:** What compliance costs would you expect to incur? (Compliance costs relate to codes and licences in respect of consumers with multiple Suppliers, e.g. information provision and GSOPs).

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	It is unclear what additional costs we may incur as a secondary supplier. It may be up to a similar amount as we would for a primary supplier
Ecotricity	The one-off costs for this would be significant but are too difficult to predict accurately.
Utilita Energy Ltd	Please see our answer to question 8.

Question 18: **Secondary Suppliers:** Are there any other costs that you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on total uptake of less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
Centrica	It is unclear what additional costs we may incur as a secondary supplier.
Ecotricity	We feel this is too difficult to predict at this time.
Utilita Energy Ltd	Please see our answer to question 11, as the role of a secondary supplier is significantly less defined there is greater uncertainty regarding the set up and running costs.

Question 19: **Half-Hourly Meter Operator Agents:** What costs to you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of the overall residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
IMServ Europe	<p>A significant portion of costs are actually attributable and borne by supporting the P375 proposed modification, the incremental cost of extending MOA services from VLPs to Suppliers is limited.</p> <p>In order to support P375 and P379 we estimate the total development time to be 6 to 12 months so would cost in the order of low to £100k. These costs are fixed unless the volume is very low.</p> <p>These costs are a rough estimate only and would also be affected by the following:</p> <ul style="list-style-type: none"> the take up volume would significantly affect our approach to the design of the process, e.g if take up was very low, a more manual solution would be considered. we have experienced significant growth in our portfolio in 2020 the impact that Mandatory Half Hour Settlement is likely to have <ul style="list-style-type: none"> the deployment date being so far in the future the uncertainty in the detail of the requirements, for example the revised CSDs have not yet been signed off. <p>In terms of running costs, we estimate this to be around £30k per percentage of our portfolio that enters this arrangement based on processing time and an exception rate of 5%</p>
Siemens Managed Applications and Services	Option 1 and Option 2. Siemens consider that the changes that would be introduced by the implementation of P379 would not have a direct impact on our Meter Operator business.
SMS plc	CONFIDENTIAL

Question 20: **Half-Hourly Data Collectors:** What costs to you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate costs between the P379 design option (i.e. Option 1 or Option 2) if relevant.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of the overall residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
IMServ Europe	<p>Again, there is a great deal of uncertainty in our estimate of costs.</p> <p>This is primarily due to the likely impact of MHHS. Since this is likely to have a significant impact on our HHDC services, we are currently beginning to review our core systems with a view to substantial development in 2022 onwards.</p> <p>This makes any estimate of costs extremely uncertain.</p> <p>What is still unclear to us is:</p> <ul style="list-style-type: none"> • The requirements under BSCP502 and other CSDs • The frequency that CVNs may change • If the CVN would vary half hour to half hour • How exceptions would be handled where an absolute kWh value is used by the Secondary Supplier(s) when, for example, this exceeds the PS HHDC metered value. <p>We have therefore only considered the following:</p> <ul style="list-style-type: none"> • The number of new data flows / data flow interactions that P375/379 will trigger • The number of new processes P379 will trigger. <p>We have attempted to apply an average cost (based on previous experience) to each new process and data flow.</p> <p>We would estimate a development cost in the low £100ks. There would be little difference between option 1 and 2. Both would be a fixed cost whether 0.1%, 1% or 10% of our portfolio entered these arrangements.</p> <p>In terms of running costs, we estimate this to be around £50k per percentage of our portfolio that enters this arrangement based on an exception rate of 5%</p>

Respondent	Response
	<p>It is extremely difficult to estimate our running costs due to the number of unknown factors above. A greater level of detail would be helpful.</p>
<p>Siemens Managed Applications and Services</p>	<p>Option 1 – Please see spreadsheet for the cost that Siemens MAS as an HHDC estimate for the implementation of P379/P380 with the SVAA allocating consumption between the MSID and associated AMSID(s).</p> <p>Rationale:</p> <p>One-off costs – assumption is that existing flows will be used for the HHDC appointment (D0155) with either an additional flag or a reserved MPAN identifier. The HHDC will accept the appointment, mark the appointment as an AMSID, receive Smart Metered Period Consumption (via the D0380) from the Supplier, validate the consumption data and estimate where data is missing (assuming that estimation for AMSIDs follows a similar estimation hierarchy to EHH MSIDs). Once the portfolio of AMSIDs has consumption data (actual or estimated) the data will be submitted (probably via the D0380) to the SVAA.</p> <p>The processing of the Primary Supplier MSID does not change.</p> <p>The changes required to existing systems is to put in place an identifier to distinguish AMSIDs from MSIDs and create a new relationship and relationship flow between the HHDC and SVAA to send consumption data directly to the SVAA.</p> <p>Ongoing costs – Siemens do not currently accept EHH MPAN appointments though are currently scheduled to Qualify an additional MPID that will be for the exclusive use for Suppliers to appoint EHH MPANs. This is an important consideration for the analysing of ongoing costs for Option 1 as exceptions identified resulting from hand-offs for these types of MPANs, which form a significant proportion of ongoing cost, are difficult to quantify without that experience. The costs in the spreadsheet are therefore based on an estimate of the number of issues that we will need to manage resulting from issues encountered with failed appointments and invalid D0380 flows that generate queries that cannot be resolved via the automated systems. These estimates have taken a view, based on our experience of NHH flows as a Data Collector. The ongoing costs are therefore additional FTE required based on the expected volumes (L,M,H as a % of our Qualification limit) and the number of interfaces between participants where exceptions may occur. We do not expect PS MSIDs will add to the ongoing costs.</p> <p>This is the approach taken for ongoing costs for each of our submissions.</p>

Respondent	Response
	<p>Option 2 – Please see spreadsheet for the cost that Siemens MAS as an HHDC estimate for the changes required that are elaborated here.</p> <p>Rationale:</p> <p>One-off costs – As the Secondary Supplier HHDC - assumption is that existing flows will be used for the HHDC appointment (D0155) with either an additional flag or a reserved MPAN identifier indicating the AMSID. The HHDC will accept the appointment, mark the appointment as an AMSID, receive Smart Metered Period Consumption (via the D0380) from the Supplier, validate the consumption data and estimate where data is missing (assuming that estimation for AMSIDs follows a similar estimation hierarchy to EHH MSIDs). Once the portfolio of AMSIDs has consumption data, submit the data (probably via the D0380) to the PSHHDC. The changes required to existing systems is to put in place an identifier to distinguish AMSIDs from MSIDs and create a new relationship flow between the SSHHDC and PSHHDC to send consumption data and to receive back the allocated validated consumption. Where there is a % of Primary Supply the receipt of the consumption and validation of that would also be required.</p> <p>One-off costs – As the Primary Supplier HHDC – appointment process will mainly remain unchanged though there could be a small change to the appointment flow to distinguish between AMSID and MSID. We assume a small change. Receive and store line loss factor information. Receive notification that there is a Secondary Supply. Receive notification from CNA of the contract agreement. Receive AMSID consumption values from SSHHDC. Validate received consumption values from SSHHDC. Estimate invalid or missing SSHHDC consumption values or missing CNA contract notification details. Perform consumption allocation calculation (absolute and % of primary supply). Calculate line losses. Allocate consumption and line losses by Supplier/GSP Group and CCC. Provide consumption allocation calculation for secondary supplier (assume D0040/D0298 or similar) to SSHHDC. Provide D0040/D0298 (or similar) for both secondary and primary supply to SVAA.</p> <p>The DC system will also need to ensure Primary Supply does not transfer to a DA and directed to the SVAA. This could be implemented a number of ways but we have assumed that the HHDC will be notified that the Primary Supply is subject to a Secondary Supply on appointment of the Secondary Supplier by the Secondary Supplier or registration agent. This will divert MPANs away from the D0380 flow and to the D0298 (or equivalent flow).</p> <p>Ongoing costs – the additional number of interfaces will increase the likelihood of exceptions that require non-automated processes to accommodate. Increase traffic on the Gateway will increase costs. See Option 1 for the uncertainty around data quality for EHH MPANs.</p>

Respondent	Response
SMS plc	CONFIDENTIAL

Question 21: Half-Hourly Data Aggregators: What costs to you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of the overall residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
IMServ Europe	<p>There doesn't seem to be any new requirements on the HHDA, so we estimate no development costs.</p> <p>We estimate a running cost of £10k per percentage of our portfolio that enters this arrangement.</p> <p>It is extremely difficult to estimate our running costs, unlikely to be too significant in our role of HHDA.</p>
Siemens Managed Applications and Services	<p>Option 1 – No impact. Primary supply will continue to be processed via the DA with Secondary Supply by-passing. It is not required that the HHDA has a relationship with the Secondary Suppliers AMSID</p> <p>Option 2 – Please see spreadsheet for the cost that Siemens MAS as an HHDA estimate for what we believe will be minor changes to our HHDA system</p> <p>One-off costs</p> <p>An MPAN for which the DA is allocated that subsequently becomes subject to a secondary supply arrangement will need to receive notice of that arrangement and therefore no longer expect consumption data as consumption data will be directed to the SVAA following HHDC calculations of the consumption allocation. We expect that the HHDA will be de-appointed via the D0209 but also receive from the Primary Supplier a D0151 flow. We anticipate that the D0151 will require an update to the "termination reason" necessitating a minor change to the HHDA system.</p> <p>Ongoing costs</p> <p>There will be no ongoing costs</p>
SMS plc	CONFIDENTIAL

Question 22: **Smart DCC:** What costs to you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally?

Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of the overall residential customer base.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
	Declined to respond

Question 23: Licenced Distribution System Operators: What costs to you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of the overall residential customer base. Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
BUUK Infrastructure	<p>To explain the costs associated with P379, we have broken the costs down, as per the spreadsheet into one-off costs and ongoing costs. The one-off costs focus on the project costs of implementation. The ongoing costs are related to enduring cost to maintain and manage the systems and subsequent processes related to P379.</p> <p>Having analysed P379 we suspect that it would increase the number of MPANs we will have to create which in turn will have an impact on server space. With this in mind, we envisaged an impact our databases (MPRS and Gatekeeper).</p> <p>At this stage it is very difficult to know how demanding and significant the programme will be. Therefore, costs are subject to change as the project evolves.</p> <p>Participation and uptake also have an impact on definitive calculations as volumes are likely to build up over time, but also subject to fluctuation as currently P379 is an optional service. Nonetheless, initial project costs will remain the same irrespective of volume.</p> <p>One off -initial costs</p> <p>Our cost analysis response applies whether the uptake is low, medium or high as these initial project costs will arise in readiness for implementation irrespective of volume. This is on the basis that we will need to be ready for implementation of P379 regardless of initial or projected volume.</p> <p>The initial costs surround the project analysis, calculated to be in the region of £70K, with the most significant cost implementing MPRS to work with multiple suppliers. Although this would be taken on by St. Clements, we expect much internal analysis work. Therefore, potential additional resources needed to accommodate such work, including technical analysis, management, system upgrades and data cuts. We would have to consider initial storage increase and subsequent higher impact when taking Disaster Recovery (DR) into consideration.</p> <p>These are initial one-off project cost; at this stage it is very difficult to know how demanding the programme will be. This is also</p>

Respondent	Response
	<p>dependent on growth and the assumption that volumes would build up over time.</p> <p>On going costs Currently our cost analysis response suggests projects costs will largely be the same regardless of low, medium, or high uptake as an increase in volume will likely require additional resource outlined plus ongoing IT costs. The only area where costs would decline, could be the increase for our Gatekeeper database and our DTN connection. This is on the basis that with the implementation of P379 as a viable service, we expect an uptake in volume of queries and data transferred.</p> <p>Ongoing costs depend on take up and volume. The largest identified costs surround our MPRS test environment. We envisage that if an extra MPRS environment is required, this could cost in the region of £100k per year of the programme. We also envisage additional increase in usage from current figures for the DTN, which in turn could accumulate in more costs for the DTN charging (although these costs are deemed to be low at £500 per annum).</p> <p>The storage for Gatekeeper, (in terms of flows coming in and out), will result in increased traffic, and there may be a need for extra storage, resulting in increased yearly costs (in the region of £2k a year).</p> <p>Additional resource costs to support the ongoing business as usual implementation of P379 include 1 x FTE (£25k p/a) within our billing team to facilitate additional supplier queries. This would equally apply for 1x FTE (£25k p/a) analyst position to manage an increase of MPRS data queries. An additional 1x FTE (£36k p/a) to support with management of MPRS and IT system related processes. This increased resource would apply irrespective of the level of uptake (low, medium, and high).</p> <p>We have not yet identified any software changes associated with P379; it is unclear what the financial estimates are at this stage. This is primarily a result of lack of clarity on the solution of P379. As such we have a degree of uncertainty of actual and enduring impact upon our business.</p>
Northern Powergrid	<p>It is currently not possible to estimate the potential costs for the implementation of P379, as more clarity and transparency of the likely solution, and associated processes, is required.</p> <p>We note the intention for there to be Primary and Secondary suppliers and this is helpful in assessing potential solutions for setting network charges and billing. We also note, from Elexon's engagement slides, that the proposed solution for network charges is to apply the pence per day components of network charges to the Primary supplier (we assume that this would also include any pence per kVA per day elements as well as the daily standing charges) along with a proportion of the pence per unit elements, with the Secondary supplier only being charged their proportion of the pence per unit elements. This would drive a need for the introduction of</p>

Respondent	Response
	<p>new 'units only' network tariffs. These additional tariffs should be viewed in the context of the recent increase in the number of tariffs resulting from the implementation of Ofgem's Targeted Charging Review (TCR) and the potential for a further significant increase following the outcome of Ofgem's Access and Forward Looking Charges Significant Code Review (Access SCR), especially if future network tariffs are at a primary substation level.</p> <p>We advocate a solution where all network charges continue to be billed to the Primary supplier, with a behind-the-scenes arrangement for splitting the costs (noting that the unit volumes will be separated by a distinct activity). This would have the advantage of minimising the number of network tariffs that suppliers need to manage and avoid complex, or potentially unworkable, solutions if either the Primary, or Secondary, supplier ceased trading (and a supplier of last resort needed to be appointed).</p> <p>When the direction of travel of the Access SCR is clearer, we suggest the cost implications of implementing P379 in respect of network charges are revisited.</p>
<p>SP Energy Networks</p>	<p>Processes and Systems</p> <p>The following assumptions have been made when looking at the impact of P379 on DURABILL:</p> <p>LDSOs will be responsible for DUoS billing both the primary and the secondary Supplier rather than billing only the primary Supplier and then the primary Supplier being responsible for passing on a portion of the bill to the secondary Supplier.</p> <p>P379 indicates that both the primary and the secondary Supplier must be HH metered, however this does not necessarily mean that they will be HH DUoS billed - they may be measurement class F or G sites billed via the D0030 process. It is therefore assumed that both HH and NHH processes may be impacted.</p> <p>Impact:</p> <p>To support billing for both the primary and the secondary Supplier, it's likely that the following changes will be needed:</p> <p>Amendment to the D0036 flow load process and / or loading a new flow for the secondary Supplier meter reads.</p> <p>Changes to the way in which HH and NHH standing data is loaded into the system and how it is stored, for example holding AMSIDs.</p> <p>Some changes to the way in which HH and NHH bills are produced.</p> <p>Given the lack of information available, it is not possible to give any details of the changes which may be required.</p> <p>System Change Costs:</p>

Respondent	Response
	<p>It is not possible to provide an accurate indication of costs based on the level of information currently available.</p> <p>The costs to implement any changes required to bill both the primary and the secondary Supplier may be in the range of:</p> <ul style="list-style-type: none"> • External: £50,000 to £250,000 (note these costs would be shared between the number of DNOs using Durabill) • Internal: £50,000 to £80,000 associated IT costs to project manage, develop interfaces, test and then implement the changes. <p>These costs have been based upon continuing with the current method of DUoS billing. However, MHHS and the Network Access and Forward Looking Charges SCRs are likely to change DUoS billing processes significantly, which in turn is likely to result in a significantly different cost implication for the implementation of P379.</p> <p>Billing & Collection Costs:</p> <p>The added complexity and increased volume of market participants, invoice creation/management, payment management, exceptions and disputes handling that could arise from this change may necessitate the need for additional resource to manage the associated processes and systems. If additional costs do transpire they are likely to be in the range £30,000 to £40,000 per annum.</p> <p>Meter Point Administration Services:</p> <p>It is important to note that we have not included any costs for changes to the SMRS system as none have been identified in the proposal. This may require to be revisited if any additional data is required to be held in the system.</p>

Question 24: **RECCo:** What costs do you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally?

Please list all potential additional costs including supporting rationale. Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on uptake rates of 0.1%, 1% and 10% of the overall residential customer base.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
	Declined to respond

Question 25: **Other stakeholders:** Are there any costs that you expect to face in respect of customers who have more than one Supplier or in the implementation of P379 more generally? Please list all potential additional costs including supporting rationale.

Please differentiate between one-off costs (£) and on-going costs (£/year). Please provide multiple estimates based on total uptake of whichever of the following you consider to be most relevant (stating clearly the basis of the estimates in the box below):

- less than 10,000 customers, 10,000 – 100,000 customers, more than 100,000 customers.
- 0.1%, 1% and 10% of your residential customer base.

Please provide a numerical response in the accompanying excel template and provide additional justification/evidence in the box below.

Responses

Respondent	Response
IMServ Europe	There doesn't seem to be a row for CNA specifically: is this intentional and will potential CNAs be canvassed separately?

Question 26: All stakeholders: Are there any benefits from the implementation of P379 that are not already captured in the High-Level Approach document?
Please list any additional benefits including supporting rationale.

Responses

Respondent	Response
BUUK Infrastructure	We do not believe there are any benefits from the implementation of P379 that are not already captured in the High-Level Approach document.
Centrica	We are not aware of any additional benefits.
Drax	We have no additional comments at this time.
Ecotricity	We do not see any further benefits.
Tech, Media and Telecom Energy Forum	My clients feel the P379 will help: <ol style="list-style-type: none"> 1. Ability to pay for the EV charging at your home parked fleet. By splitting the EV charging unit onto a separate meter tariff. 2. For Telecoms, where one network provider hosts another network, which is sub-metered, and recharged. The customer (end user operator) would be able to request to move their consumption onto their own tariff.
Siemens Managed Applications and Services	No further benefits identified.
Utilita Energy Ltd	We have not been able to identify any additional benefits at this time.

Question 27: All stakeholders: Are there any benefits which are included in the High-Level Approach document that you do not expect P379 to deliver?

Please provide your response, including justification.

Responses

Respondent	Response
BUUK Infrastructure	In principle the potential benefits seem reasonable but is unclear as to whether the market will evolve to need this solution and whether this will be of interest to consumers. There seems to be a lack of evidence at this point in time to support the progress of this modification considering the implications and costs it would have for the market. The benefits of P379 seem to be delivered by P375 and therefore we question whether this modification duplicates unnecessary changes that have already been considered.
Centrica	We do not dispute any of the benefit categories. However, it is important to ensure that benefits that will be provided by other related changes such as P344, P375 and market wide half-hourly settlement are not double counted and included within the P379 benefits case.
Drax	<p>Assumptions related to this response:</p> <p>To answer the question within CEPA’s PowerPoint presentation at the CBA Workgroup of 8th December 2020 - “Is sufficient benefit achievable to warrant developing the solution further?” - from a Primary supplier perspective, our view is a definitive “no”.</p> <p>Although P379, could bring potential benefits to what we would predict to be very few customers (given expected uptake), we believe that the cost and risk to Primary Suppliers, to Central BSC systems, Meter Agents plus a host of other areas including multiple cross-code impacts, and consumers themselves, far outweighs any potential benefits over and above what could be achieved at a fraction of the cost, within the existing competitive supply framework, and without the need for consumers to engage in multiple Supply contracts.</p> <p>Our experience as a non-domestic Supplier is that the majority of non-domestic customers want the predictability (and budgetary certainty) that comes from fixed contract prices and durations. If P379 was approved, Primary Suppliers would need to amend their T&Cs such that these contractual terms would be subject to change should customers engage with Secondary Suppliers mid-contract.</p> <p>Expected Impact:</p> <p>Increased choice of Supplier within day will reduce energy costs for consumers. If P379 was implemented, customers would be able to choose between Suppliers offering the cheapest within day energy volumes without the customer needing to switch Supplier. In practice however, if customers were to engage with Secondary</p>

Respondent	Response
	<p>Suppliers mid-contract, as captured within Q3) above, Primary Suppliers would need to amend their tariff structure for the customer's Primary Supplier in order to help mitigate risks of not recovering their costs, for example via increased standing charges. This would be likely to eliminate much of the benefit that the customer may have gained via their Secondary Supplier.</p> <p>MHHS will pave the way for increased levels of Time of Use tariffs and other innovative products from Primary Suppliers without the need for P379 and the costs and risks that it would pose. For example, if a customer wants a share of a local Community Wind Farm, they could approach a Supplier that offers such a proposition or is 100% renewable. Competition is such that, when choosing between Suppliers, renewable tariffs are typically amongst the most competitive available.</p> <p>Bundled electricity products</p> <p>P379 could potentially support the bundling of electricity with products, for example selling an EV with a package of miles. Supported by use of P375 'Behind the meter' metering, EV usage could be metered by Secondary Suppliers using Code of Practice (CoP) metering technology. However, as for our previous comment, if Primary Suppliers have a supply contract with a customer, which includes charging of their EV, but then experiences variations in the amounts of electricity consumed because the customer engages with a Secondary Supplier mid-contract, any amendments that the Primary Supplier makes to their tariff structure to mitigate risks of under-recovery of costs could eliminate much of the benefit that the customer may otherwise have gained.</p> <p>The EV market is forecast to grow exponentially - National Grid has suggested that the UK stock of EVs could reach between 2.7 and 10.6 million by 2030 and could rise as high as 36 million by 2040. Smart charging and vehicle-to-grid technology will facilitate the use of EVs to help smooth electricity usage through the hours of the day. EVs can be charged when demand is low and fed back into the grid when demand is high. It is difficult to envisage that many, if any, Suppliers are not actively investigating and developing EV propositions, including bundled propositions such as these, supported by smart metering, time-of-use tariffs, demand side response and battery storage opportunities.</p> <p>Competition within this arena will inevitably be aggressive and it is difficult to foresee that competitive customer offerings will not be made available in the near future, independent of P379. This would, without P379, lead to benefits such as increased deployment of smart technologies, savings on network management and reinforcement costs and increased renewable technology usage.</p> <p>The EV solution under P379 has limitations. For example, although a contractual relationship with a Secondary Supplier may cover EV charging specifically at the consumer's premises, in practice,</p>

Respondent	Response
	<p>consumers may charge their EV at a wide variety of other locations such as at work, at a retail park, on-street parking or service station.</p> <p>There are alternative solutions, such as fuel cards which could be deployed at a fraction of the cost and which could cover multiple locations and without the need for more than one contract.</p> <p>Perversely, if P379 was approved, the system and process impacts upon Suppliers would be so material that it would potentially result in diversion of elements of assigned Supplier IT/development resource away from potential new renewable propositions.</p>
Ecotricity	We struggle to see the benefits overall.
Octopus Energy	<ul style="list-style-type: none"> • Increased competition for customer supply volumes - the concept that secondary suppliers will be able to achieve lower cost of energy supply through instantaneous switching is flawed logic. Suppliers work hard to procure energy at the lowest cost whilst balancing risk through hedging and trading strategies. This might be done year ahead (Octopus 12M Fixed) or day ahead (Agile Octopus). Whilst the optionality and cost advantage available to the secondary supplier might allow them to procure supply more cheaply than the primary supplier, the added uncertainty the secondary supplier introduces to the situation will mean the risk premium goes up for everyone. Or put more simply, one supplier in complete control of its forecasting and procurement will always be able to procure energy more cheaply and with less risk than two suppliers who are doing it in parallel without communicating. It is imperative that the increased risk is costed into the methodology when assessing this perceived benefit. • New service offerings for customers - many of the proposed new services enabled by P379 are already being developed and offered by suppliers today. We would be happy to discuss these with CEPA in more detail if helpful. The P379 proposal will cause the most overhead for those suppliers pioneering HHS ahead of MWHHS. These are the suppliers who are building the exciting new propositions laid out below. Introducing the complexity of P379 implementation would slow them down when they are already racing towards many of the perceived benefits laid out in this proposal. • Community energy - the Energy Local is a good example of local energy balancing combined with a customer proposition. As an active player in the community energy market, we believe that the barrier is not the supplier arrangements but instead the cost structures that do not provide the value that local energy balancing brings the system.

Respondent	Response
	<ul style="list-style-type: none"> • Specialist suppliers for devices - we are seeing many specialist offerings proliferate in the market. Most of the large suppliers now offer an EV tariff (e.g. Octopus Go) and we are seeing heat pump specific offerings (Good Energy Green Heat), solar + battery propositions (Octopus Tesla Energy Plan, Social Energy) gathering momentum. It is worth noting that to date none of our 20k+ smart tariff customers have requested a split meter solution. • Bundled electricity products - these are already popping up with EV propositions including free miles being bundled with EV leasing and purchasing. We also see EV chargers and manufacturers partnering with suppliers to come up with charger + optimisation propositions • Increased deployment of smart energy technologies - we are already seeing rapid uptake of EVs, smart tariffs and smart charging services without P379. We believe the main barrier is not the supplier arrangements but how the system values flexible low carbon assets. P379 does nothing to solve this value problem. • Increased smart meter take up - the smart tariffs on the market today already drive smart meter demand. This needs to be taken into account when analysing any additional smart meter demand that might be attributed to P379. • Increased HHS - we believe that P379 will have the opposite effect on the uptake of elective half hourly settlement. This is because only suppliers capable of doing HHS will be able to host secondary suppliers. The costs and overhead of implementation, the volume risks and customer detriment outlined in the questions above will deter suppliers from building HHS portfolios. Those suppliers who have worked hard to build HHS capability and smart tariff propositions will end up shouldering the risk and overheads of the P379 proposals • Increased consumer engagement - for the reasons outlined in question 3 above we believe that multi supplier arrangements risk confusing customers and driving bad customer outcomes and lower engagement
Siemens Managed Applications and Services	None
SSE Energy Supply Limited	Given the low profit margins in electricity supply it is not clear where the savings would come from that would justify a project of this magnitude being delivered as it is unlikely that the perceived

Respondent	Response
	<p>benefits would materialise. It would be better to produce a quantitative analysis of the benefits prior to asking the industry for a quantitative analysis of the costs. We believe that the qualitative benefits identified are 'heroic', most of which would never be delivered. The costs of delivering the customer facing elements of P379 are likely to be huge across the industry.</p>
Utilita Energy Ltd	<p>Smart meter take up – there is no evidence in this consultation that being able to facilitate multiple suppliers will have any impact on a customer’s decision to allow a smart meter to be installed. Additionally the Smart Meter Rollout aims to be completed by 2024, as this mod is unlikely to be delivered until at least 2023 there the UK will be majority smart by then.</p> <p>Increased HH settlement volumes – MHHS is expected to be delivered before this modification, therefore it’s unclear how this modification will deliver any of this benefit.</p> <p>New service offering to customers – While this may be true for credit customers, this modification is exclusionary towards prepayment customers. We do not support a modification that does not treat customers fairly across the market.</p>

Question 28: All stakeholders: Do you have any evidence to which could support analysis of the benefits set out in the High-Level Approach document?

We welcome evidenced quantitative benefits as well as qualitative reasoning and other material that could inform our analysis.

Responses

Respondent	Response
BUUK Infrastructure	No, we do not have any analysis to support the benefits set out in the High-level document.
Centrica	We have no further evidence to provide.
Drax	We have no additional comments at this time.
Ecotricity	No.
Octopus Energy	In question 27 we have outlined examples of real customer propositions and anecdotal evidence from Octopus' smart customer base. We would be happy to have further meetings with CEPA and Elexon to discuss these in more detail.
Siemens Managed Applications and Services	None
SSE Energy Supply Limited	<p>Existing suppliers have not designed their IT systems to allow this functionality and so it would cost suppliers significant amounts of money to implement it, which would ultimately have to be passed on to customers if secondary supply relationships were mandated. Without any clear evidence of benefits, these increased costs would place suppliers under additional financial strain and could impact on supplier viability. It would involve very big IT system changes, with a high risk of implementation failure, and potentially very little use ultimately being made of the P379 functionality. It is not clear where liabilities sit should things go wrong, and there is risk of a supplier facing commercial loss and reputational damage by the actions of another supplier.</p> <p>There is an overstating of the benefits. SMETS2 meters are still being installed, but P379 requires a very sophisticated and large smart meter rollout in order to even have the potential to be effective. The benefits appear to be too qualitative without any quantitative analysis being provided.</p> <p>It is important to consider the customer impacts arising from this process – Covid-19 has demonstrated that customers require certainty and clarity from energy suppliers.</p> <p>This proposal has the potential to confuse customers over who is responsible for their supply, increase the likelihood of billing disputes and errors, and create a two-tier process for switching at a time</p>

Respondent	Response
	<p>when Ofgem is trying to simply and improve the process for customers.</p> <p>The secondary supplier relationship is not recognised in any industry code, licence condition or Act and it is inconceivable that this proposal could be implemented without a SCR given that, as can be seen from the comments above, it is not just a BSC issue. It has potential impacts across the market, including other licence condition obligations and related regulations (e.g. relating to complaints, guaranteed standards etc) and non-commodity costs. P379 principles may be in contravention to the Electricity Act 1989 regarding definition of supply and what's an offence under the Act.</p> <p>We do not consider there is sufficient information available regarding this proposal for the industry to adequately assess the cost/benefit associated with it. In addition, as noted above, we consider there are a substantial number of significant impacts on other parts of the market which need to be adequately assessed as part of any cost/benefit analysis prior to a decision being made on whether or not to proceed further. Failing to consider these as part of this exercise means any conclusions are incomplete and likely to distort the cost/benefit of this proposal. We do not believe there is any evidence that this proposal will produce a net benefit to consumers and that any evidence of demand is unlikely to be evidenced until MHSS has been implemented. Notwithstanding this, we consider this process should be conducted under the remit of Ofgem as it cannot be fully taken forward by Elexon under the BSC.</p>
Utilita Energy Ltd	We do not have any evidence at this time.

Responses received by letter or email

Four other responses were by letter or email and not the response form:

British Telecommunications plc (BT) provided a qualitative response, noting that the P379 solution promotes competition and increases consumer choice, particularly regarding BT acting as a landlord for [Local Loop Unbundling](#) (LLU) and wanting to give their tenants the choice to use their own appointed Supplier.

BT also note that the P379 solution would simplify the transition to Electric Vehicle (EV) charging and that effective accounting for electricity used by these means is a barrier to full EV rollout.

ScottishPower note that the proposed solution will significantly impact market participants and customers though they have seen no evidence of a strong demand for such services from either Secondary Suppliers or end consumers.

They also note that economics underlying the provision of Primary Supply could be adversely affected by significant take-up. The proposed solution also risks confusing customers and does not allow for Primary Suppliers to choose whether or not to participate. ScottishPower has not provided a response in the formal template as they believe the solution is not sufficiently developed to enable qualitative or quantitative

assessment. The respondent suggests piloting P379 in the BSC Sandbox to support a socialised view of impact, followed by a more robust call for evidence.

Smart Energy Code Company Limited (SECAS) outlines a number of concerns regarding the way that the P379 solution interacts with smart metering. With regard to provision of consumer information the cost displayed may not be the true cost incurred by the end consumer.

Prepayment needs to be thoroughly thought through especially in regard to disconnection or de-energisation. Premises with import and export also require further thought, as readings may not add up. The respondent also suggested meters used beyond the boundary should be MID compliant.

SECAS also cautions against implementing poorly as this could have a detrimental impact on consumer engagement. Recommendations were suggested to include the following in the Cost Benefit Analysis: number of installations overlapping the smart metering mandate, loss of benefit from using non-SMETS solution, additional benefits if SMETS solution used, and the costs of developing either SMETS/non-SMETS solutions.

SECAS suggest Secondary Supplies could be measured by smart meters, though not easily. SECAS expects that any solution, using smart or non-smart metering, will comply with interoperability, data privacy, grid stability and cyber security principles.

An interested private individual suggested peer-to-peer trading such as that used in some US markets may be of interest to the UK. They provided a number of areas to explore as part of P379, should assessment continue.