Data Communications Company

Supplier of Last Resort

14 December 2018

Agenda

- What is Supplier of Last Resort?
- What has occurred since last Panel?
- Full Timeline of events around recent SoLRs
- Lessons Learned
- Issues around current Spark Energy SoLR
- Next Steps

What is a SOLR?

- Where an Energy Supplier fails ('failed Supplier') Ofgem gets a court order to revoke the licence and must transfer their customers to another Energy Supplier (the "Supplier of Last Resort");
- This process involves energy Suppliers submitting bids to Ofgem. Lowest tariff for consumers and costs is paramount amongst other concerns. There are a number of criteria that the Supplier of Last Resort must meet (i.e. if there are prepayment customers in the portfolio, how will you deal with them?);
- If no suitable bids are received then Ofgem can appoint an Energy Supplier to take over the customers;
- Costs are socialised as recovery from failed Supplier usually impossible, cost minimisation is key;
- For further information please consult: https://www.ofgem.gov.uk/publications-and-updates/supplier-last-resort-revised-guidance-2016

Current Situation

After many years without a Supplier of Last Resort event there has been a recent upsurge in the number of SOLR events

- Small Suppliers have struggled to keep up with rising wholesale costs and industry changes. Annual RO charges were due 31 October and 4 companies could not pay, the FIT mutualised £4.5m in November. The retail Price Cap will be in force from 1 Jan 2019, many small Suppliers have publicly said they will struggle with it. Many worry the cap will drive down Switching rates

Starting 23 November 2 SOLR events involved larger Suppliers which had taken on SMETS2 meters via churn

- Extra (picked up by Scottish Power, 8 ESMEs)
- Spark- (picked up by Ovo, 24 ESMEs)*
- DCC was directed to facilitate the transfer of impacted consumers in line with industry practice

*due to varying numbers of GSMEs, ESMEs and other devises we have used ESME numbers as a proxy for households impacted

Full Timeline of Recent SoLRs

As the 2 recent SoLRs somewhat overlap, Spark is in Pink

- 21/11 6pm- Ofgem alert DCC of the beginning of Extra SOLR event and requests number of SMETS2 devises in portfolio and Operating Mode (i.e. prepayment or credit) via RFI powers. DCC complies via agreed encrypted communication method. The failed Supplier account is closely monitored to prevent malicious SRs (i.e. disconnection or tariff increase).
- 22-23/11- DCC agrees to use MPID transfer process previously tested. DCC alerts Ofgem the SEC 'ID Allocation Policy' will be breached by performing this task. Ofgem confirms this method is to be used for consumer transfer and derogates DCC.
- 23/11- 4pm, Spark SOLR declared, DCC submits to Ofgem # of devises and pre pay status

- 23/11- Notice from Ofgem to prepare for Saturday (24/11) night MPID transfer, SOLR appoint likely that evening
  - DCC aids SECAS notice to Panel on events, explains DCC process for the weekend preparations and process
  - DCC sends Guidance documents for the SOLR to Ofgem to be provided with finalisation of SOLR process. This includes all steps required for adoption of devises and dedicated help lines within DCC
- 23/11- 9pm, confirmation the SOLR will complete 00:00:01 (elec) and 00:05:01 (gas)25/11 (Sunday morning), Confidential information on SoRL identity and Direction for DCC to act received
- 24/11 DCC cross team meetings to discuss all aspects of preparations. Various checks and timetabling takes place through out the day. 4pm- Final 'Go' from Ofgem
- 6pm- final tests and call to ensure governance and technical solution. DCC confirm to Ofgem we will be compliant with Direction and SOLR will be free to begin transfer.

- 25/1 00:00:01, devises attached to Extra Energy are ready to receive Service request 6.23 (OTA FW Upgrade 'hello') from the SOLR (Scottish Power)
- 25/11 DCC monitors accounts to ensure smooth transition, providing extra support to SOLR to quickly find and eradicate issues. DCC review other issues such as forecasts, CH orders
- 26/11 4pm- Direction received for Spark SOLR, it includes direction to move MPIDs, identity of SOLR, to be carried out on 28/11 00:00:01
- 27/11, as preparations are being made we are informed Ovo, the SOLR, would like Spark to continue to operate as a stand alone 'White Label'. DCC brief Ofgem of the Security implications of this action and our concerns. Ofgem direct MPIDs to remain as originally programmed (MPIDS not moved)
- DCC reviews CH stock, orders and forecasts with SOLR

Lessons Learned

- Meetings had been held with Ofgem and SECAS on this subject throughout 2018 reached a technical solution but changes to the SEC were not achieved. Therefore, **DCC as Party, request Panel review of the ID Allocation Policy by SEC Panel** (to be discussed at Deep Dive)
- Ofgem are legally unable to change the switch over time away from the end of electricity/ gas day. DCC should include 24/7 double sign off and monitoring in staffing plans and procedures (clearer 'on call' provision)
- Nominated contact from SECAS, Panel to consider 24/7 cover
- DCC will investigate whether to allow Users to nominate which of their MPIDs they would prefer new consumer devises attached to in the event of SOLR
- DCC processes are not clear enough for the cancellation of future Comms Hubs orders, cancellation and transfer of any forecasts within the systems, reconciliation of different ADT thresholds.

Spark specific issues

- Spark Energy SOLR has not followed Ofgem's SoLR processes as set out in Guidance. SOLR Ovo Energy purchased assets from Spark Energy, in addition to agreeing to act as SOLR. Ovo intend to continue to manage Spark consumers from Spark premises, using Spark Resource and critically Spark MPIDs, EUI-64 Ids and ordered devices. It is unclear when the staff and systems would be TUPE'd over;
- Ofgem's Direction was not to move the MPIDs for Spark, thought this has been done in other energy industry institutions such as Elexon and the registries;
- Ofgem asked this be done to ensure the smoothest transition for energy consumers, as per Ovo's request;
- This places DCC in a position of risk as Spark no longer exist as a separate legal entity and are operating under Ovo's Supply licences

Next Steps

- SMKI PMA to tell DCC to revoke organisation certificates for Extra Energy (Raised with Chair SMKI PMA)
- Resolution of Spark status within the Code
- DCC continue to support SOLRs
- Deep Dive session with Panel and stakeholders 18 December to cover all issues including:
  - Full run through of process map, duties and responsibilities, including with PrePay consumers
  - Correct timescale for SEC expulsion
  - Restriction of Service Request rights for 'failed Supplier' after court order granted
  - Suspension of OMS rights and other access
  - Preparations for SOLR under SMETS1 devises

If you have any other questions or comments at any point on this presentation or SOLR or would like to request information prior to the Deep Dive please feel free to contact DCC at any time on: Amanda.Rooney@smartdcc.co.uk or Easton.brown@smartdcc.co.uk

THANK YOU