Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

De-registration of Supplier from a De-energised Meter Point

Decision Paper

CER/05/075

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Introduction

On 16th June 2004, the Commission published its consultation paper, entitled "De-Registration of Supplier from a De-Energised Meter Point" (CER/04/217).

The consultation was in response to a proposal tabled at the Trading and Settlement Code Modification Panel Meeting (Proposed Modification, or PM, 156). Under the PM, put forward by a supplier, it was proposed that a supplier may request the Distribution System Operator or the Transmission System Operator to de-register a site from a meter point, simultaneous with de-energisation. The de-registration of the meter point would remove the connection point from the scope of the Distribution Use of System Agreement and Transmission Use of System Agreement.

Under those arrangements, de-registration could be accepted six months after de-energisation for sites under 100kVA and within six months (with the agreement of the DSO or TSO, as appropriate) for sites greater than 100kVA.

The Commission received several responses to its consultation. It has considered these responses and sets out its decision in this paper, together with setting out a discussion on the responses received in the Appendix to this paper.

Consultation and Responses

In its consultation paper, the Commission set out the various options for dealing with this issue, together with the main points of consideration from the perspectives of the DSO, TSO and the supplier who proposed the modification.

In its paper, the Commission requested that the DSO carry out an analysis to review the number of re-energisations that would typically occur in sites following their de-energisation. This showed that the majority of sites de-energised which go on to be re-energised are re-energised within the first three months following de-energisation.

Responses to Consultation
The Commission received responses from the following parties in relation this issue:

- Distribution System Operator (DSO);
- Transmission System Operator;
- Representations from Independent Suppliers; and,
- ESB Customer Supply.

The primary issues of concern to respondents are:

- At what point should de-registration occur and what should it mean (de-registration of supplier versus de-registration of supplier and removal of connection equipment);

- Determination of the liability for costs/risks associated with de-energisation of a meter point (i.e. the DUoS and TUoS costs incurred for the period between a site being de-energised until it is de-registered, "de-registration costs") and mechanisms for recovery of such costs by the party assuming this risk.

Commission's Decision

The Commission has decided that the following shall apply to the process of de-registration:

> "A supplier may request to de-register from a metering point three months following de-energisation for sites that are distribution or transmission system connected[1]. De-registration removes the connection point from the scope of the DUoS and TUoS agreements and, by default, terminates the connection agreement in accordance with the terms and conditions of that agreement[2]."

The Commission has previously approved the "Rules for Application of DUoS Tariff Group" (September 2004) which state that:

> "For de-energised sites, Suppliers will be charged the Standing Charge and MIC Capacity Charge particular to the DUoS Group, for three months until de-registration."

Therefore, de-registration will be accepted three months after de-energisation for sites under 100kVA and within six months (with the agreement of the DSO or TSO, as appropriate) for sites greater than 100kVA.

The Commission is of the opinion that its decision reflects the optimal trade off between minimising of costs to the relevant parties who are affected by this issue.

Therefore, the changed policy should provide that:

(1) Suppliers are incentivised to manage the risk through the continued imposition of liability for cost as in the event of customer default, the Supplier's exposure is limited to what is deemed to be a reasonable level (whilst still incentivising management of this risk);
(2) Sites not re-energised will have cost recovery for three months through the Supplier's liability;
(3) The majority of sites where re-energisation occurs are re-energised within three months, meaning that any costs to be borne by the general user should be kept to what is considered to be an appropriate level;

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[1] - For de-energised sites, Suppliers will be charged the Standing Charge and MIC Capacity Charge particular to the TUoS or DUoS Group, for three months until de-registration

[2] - Upon completion of this three month period, the supplier will be required to request de-registration by DSO or TSO via the agreed market processes.

(4) Costs to new customers registering at previously de-energised sites are also managed to what is considered to be an appropriate level through this policy.

Next Steps

The Commission has decided that the above change will take effect following the revision of the MOIP system, expected to have occurred by June 2005. The change to the MOIP will be subject to the governance procedures introduced to implement changes to the design of the retail market.

It is noted that the "Rules for the Application of DUoS Tariff Group" will require amendment in order that this policy is now specified. The Commission will engage with the DSO on this matter. The Commission will also engage with the TSO in order to agree the implementation of this revised policy.

Furthermore, the Code Modification Panel will work on the appropriate revision to the Trading and Settlement Code in order to reflect this modification in the Code.

Appendix: Main Points raised by Respondents

Comments were received on the point at which de-registration should occur and what should it mean (de-registration of supplier versus de-registration of supplier and removal of connection equipment). These included the following points:

- De-registration of a site effectively enables DSO to remove the connection asset (resulting in the metering and/or other connection equipment being removed and the capacity that was available at that site no longer being available). This may give rise to certain unwarranted costs (such as meter removal) being incurred by the market;
- Furthermore, a new customer entering the premises could face substantial costs to regain the capacity at the site (which may also result in increased customer complaints). The present system provides the optimal period in order to minimise the costs to the new customer;
- In the DSO's experience, a high proportion of de-energisations turn out to be resolved by a new tenant coming in before the de-registration call can be effected. The effect of a change in the arrangements would lead to extra costs in administration which are unnecessary in light of this fact.
- Once a connection is de-registered, the DSO is in a position to remove the connection asset and metering equipment. This will result in a high re-connection charge payable by the connecting customer;
- It is suggested that the supplier de-registration process does not have to be done in tandem with the physical disconnection process and that de-registration of a supplier occurs simultaneously with de-energisation;
- It was noted in two responses that the immediate removal of connection equipment on site at de-energisation is not the most cost effective solution as the connection costs for a new customer would be significant. And that, therefore, de-registration does not require the immediate removal of meters.

Commission's Response: *The Commission's intention is to minimise costs for new customers registering at a de-energised site.*

Based on the information received from the DSO, it is the Commission's understanding that, typically, the majority of sites that are de-energised which go on to be re-energised are re-energised within the first 3 months after de-energisation.

Therefore, the Commission's decision to set de-registration at three months after de-energisation aims to provide for what is deemed to be a fair balance of costs for the relevant participants (general users, new customers registering at de-energised sites and Suppliers).

Comments were also made on the matter of providing for different time-periods for different categories of de-energisations and the associated time

period, it was suggested by one respondent that this would require detailed further discussion and that, in general terms, it would require the introduction of additional complexity to the IT systems and messaging processes (resulting in additional costs and project plan implications) without any distinct benefit arising from such changes.

Commission's Response: *The Commission believes that the change from six months to three months will address some of the key concerns of respondents without the need to introduce more elaborate procedures and subsequent IT complexity which would be required in order to facilitate the above proposals.*

Comments were made on the period of six months coincides with the point in time at which a RECI wiring certificate is required if the meter point is to be re-energised (therefore representing a technical milestone in relation to the timescale);

Commission's Response: *The fact that a RECI certificate is required six months after de-energisation is considered to be an entirely separate issue relating to safety.*

There were several comments received on the determination of liability for costs associated with de-energisation of a meter point and mechanisms for recovery of such charges were also received. Some of the key points raised are:

- The Supplier is contracted for DUoS in respect of that customer site and should therefore remain liable for the charges. This is particularly so given that the supplier is positioned to recover their outstanding amounts from the customer over the six months and may have a better chance of securing a supply contract with the new customer;
- The present arrangements allow for a fair apportionment of risks associated with de-registering customers;
- It is felt that the current policy offers a reasonable balance of the risk of stranded assets amongst suppliers of de-energised customers and other TUoS customers;
- Changing this methodology of applying liability for the charges would result in the cost ultimately being applied to all customers. This contradicts the general principle that costs should be allocated to those who incur them;
- The current rules minimise both the cost to the general market and to new customers entering the de-energised site;

The main comments received supporting a changed code whereby the DSO assumes the risk for the de-energisation costs:

- Suppliers are unable to manage the risks and costs of maintaining a meter point and this is more suited to the system operator who may optimise asset utilisation;

- Allocation of de-registration costs to suppliers provides an additional financial barrier to encouraging entry of new suppliers and fostering further competition in the market;
- Suppliers are not in a position to recover the costs from the customer in relation to de-registration costs as, primarily, de-registration arises due to customer insolvency and no recovery of funds or additional de-registration costs is achievable;
- Whilst theoretically it is arguably correct to pass through a price signal to indicate that there is accost associated with maintaining the DSO assets, in practical terms this is a fruitless as there is not a customer there to bear the cost;
- Furthermore, Suppliers have relationships with customers and not meter points whereas the DSO is in a stronger position to recover de-registration costs through incorporating necessary provisions in their connection agreement;
- De-registration costs will ultimately be recovered through the market where the DSO, as the monopoly operator, due to scale and regulation mechanisms is better positioned to recover these costs rather than suppliers. There is no mechanism for costs, being billed to suppliers, to be recovered from the market;
- The costs of maintaining the site (post de-registration which is effected at the same time as de-energisation but does not include physical disconnection) should reside with those who have control of these costs (the DSO) and that a regulated mechanism should be applied for the recovery of the costs through the use of system charges.

Commission's Response: *The Commission's decision reflects the fact that the Supplier does have liability for costs and therefore is incentivised to manage risk. At 6 months, this was considered to have imposed a substantial and inordinate level of cost on suppliers.*

The Commission's decision limits this exposure whilst also providing that the general users are not burdened with an excessive cost, thus providing for an appropriate balance of cost liability and risk for both the general user and the Supplier.

Given the fact that the majority of de-energised sites to be re-energised are re-energised within the first three months, it is deemed to be appropriate that three months provides for a fair balance of risk whereby the Supplier may manage its potential liability through its contracts with customers and yet will provide that only an appropriate level of costs are passed on to either the general user (through passing the entire risk/cost to the DSO/TSO) or new customers registering at a specific site.

Therefore, the changed policy should provide that:

(5) Suppliers are incentivised to manage the risk through the continued imposition of liability for cost as in the event of customer default, the Supplier's exposure is limited to what is deemed to be a reasonable level (incentivising management of the risk);

(6) Sites not re-energised will have cost recovery for three months through the Supplier's liability;

(7) *The majority of sites where re-energisation occurs are re-energised within three months, meaning that any costs to be borne by the general user should be kept to an appropriate level;*
(8) *Costs to new customers registering at previously de-energised sites are managed.*

Comments were made on the DSO's response concerning its entitlement to remove connection assets once de-registration has occurred. Clarity was sought on the policy pursued by the DSO in this regard as it was felt that significant costs could be avoided is an appropriate policy was applied with respect to the removal of assets (avoiding removing the assets immediately after de-registration may reduce unwarranted costs being incurred).

The DSO has confirmed that, given the cost and responsibility implications of it continuing to maintain connection assets at a de-registered site, it does not 'avoid' removing the connection assets of de-registered sites. The DSO is of the opinion that the above proposal would result in a further cross-subsidisation being introduced whereby the costs incurred by specific users are carried by the DSO, and in turn, all customers. With respect to its specific policy concerning the removal of connection assets, it has confirmed that the extent of the work required will vary from case to case. The decision to remove the particular connection asset is taken by ESB Networks' local management on the basis of the actual work required, available resources and other priorities. The DSO has also confirmed that it is intended to quantify the impact of this revised time period following its introduction. Pending the outcome of this review, the DSO will assess its implications on the DUoS Tariffs and Connection Charges for discussion with the Commission.