

Switching project

Summary of responses and review of governance options

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ofgem

1. Update on road map for reform
2. Overview of consultation responses
3. Discussion on proposed programme phases
4. Discussion on proposed governance framework
5. Discussion on timetable
6. Next steps

1. Secure a reliable three week switch now

2. Speed up switching in the short term

3. Longer term reform

- New licence requirements live from 1 Sept:
 - Strengthen three week switching backstop
 - Preventing erroneous transfers
- Initiated industry improvement work:
 - Improving the CoS meter read process for smart meter customers
 - Industry review data quality and report to us on recommendations by Dec
- Ofgem receiving data on switching (eg objections) to better understand supplier performance

**1. Secure a reliable
three week switch
now**

**2. Speed up switching
in the short term**

3. Longer term reform

- Industry implementing modifications to support halving switching timescales for 6 Nov 2014
- Assurances received from Energy UK suppliers
 - Ability to lose customers in accordance with new rules from 6 Nov 2014
 - Will gain customers using new rules starting from 6 Nov to end of 2014
- Reviewing appetite of other suppliers for faster switching

**1. Secure a reliable
three week switch
now**

**2. Speed up switching
in the short term**

3. Longer term reform

- Moving to reliable next-day switching consultation published June 14
- Consultation on key structural reforms:
 - A new centralised registration service and reliable next day switch
 - Also requested views on two-day and five-day transfers
- Consulted on how best to ensure the success of the next phase
- Notified intent to review of objections process

Type of Organisation	Respondents
Consumer group (2)	Citizens Advice and Which?
Big Six (6)	Npower, BG, SSE, Scottish Power, E.ON and EDF
Small Supplier (7)	Co-op, Flow Energy, Good Energy, Green Energy, Haven Power, Ecotricity, First Utility
DNO/GDN (8)	National Grid Distribution, Northern Gas Network, Northern Power Grid, Scotia Gas Networks, UK Power Network, Western Power Distribution, Wales and West Utilities, Brookfield Utilities UK
Industry Association (4)	ENA, Energy UK, UKPRA,
Central Body (7)	DCC, Xoserve, Electralink, ELEXON, Gemserv, SEC Panel, SPAA Exec Committee, MRASCo
Supplier Agent (2)	TMA, CMAP
Other (2)	Vocalink, Laurasia Associates

Total: 38

- Strong support for switching reform
- Strong support to centralise registration with the DCC
- Mixed views on next day vs two day (limited support for five day)
- Weak support for centralised metering database

- Concern that reliability and cost evaluation criteria not sufficiently weighted
- Want more work to quantify the benefits
- Some want to keep decision on speed open during Target Operating Model (TOM) stage
- Stress importance of impacts on smaller suppliers eg balancing risks and change overload (concern that may lead to market exit)
- Other impacts: serial switching, programme management and transition costs, data cleansing and migration issues, role of Third Party Intermediaries (TPIs), impacts on shippers

- Support for Ofgem to lead this programme
- Concern that DCC should not lead TOM development as distraction from priority of Smart Metering (some support for industry, SEC Panel or code bodies to lead)
- Support for Significant Code Review (SCR) to require/manage regulatory changes
- Limited support for licence obligation on suppliers/networks
- Concern on 2018 implementation date
 - High level industry change already underway – adding to it could create risks
 - Risk of spreading industry expertise too thinly with too many programmes underway
 - Leave time for consultation

Q: Do you agree with our amended phasing approach?

PHASE 1

Blueprint

- Target Operating Model (TOM) of how reforms will work
- Develop outline Implementation Scheme
- Updated Impact Assessment (IA)
- Identify the high-level changes needed to codes and licences

PHASE 2

Detailed Level Specification

- Describe in detail how the reforms will work
- Includes detailed process maps, definition of data flows and data items
- Further update to IA
- Draft modifications to codes and licences

PHASE 3

Enactment

- Industry parties required to raise modifications to codes.
- Ofgem consult on licence modifications
- Licence and industry codes mods approved by Ofgem

PHASE 4

Design, build and test

- Central Registration Service Provider (CRSP) will build and test
- Industry parties will implement reforms and test
- Transition
- Go live

Q: Do you agree that the following comprise the main requirements for the Blueprint phase?

TOM

Definition of switching requirements

- Rules and requirements
- Resolve policy issues (objections, cooling off etc)
- Update business case
- High level regulatory changes

Definition of a central registration service

- Registration data requirements
- Data access requirements
- Update business case
- High level regulatory changes

Definition of governance for switching and CRS

- Code governance framework
- Licence obligations eg on DCC
- Charging methodology

Establishing the central registration service

- Obligations to establish and maintain CRS
- Procurement strategy
- Price control funding
- Changes to existing network obligations and funding

IMPLEMENTATION

Establish high level transition plan

- Establish a draft Implementation Scheme
- Transitional issues eg data cleansing and migration, testing, assessing readiness
- Go live technique eg big bang or regional

GOVERNANCE

Programme plan and governance

- Maintain programme plan
- Amend governance structure as needed
- Develop plan and governance structure for next phase

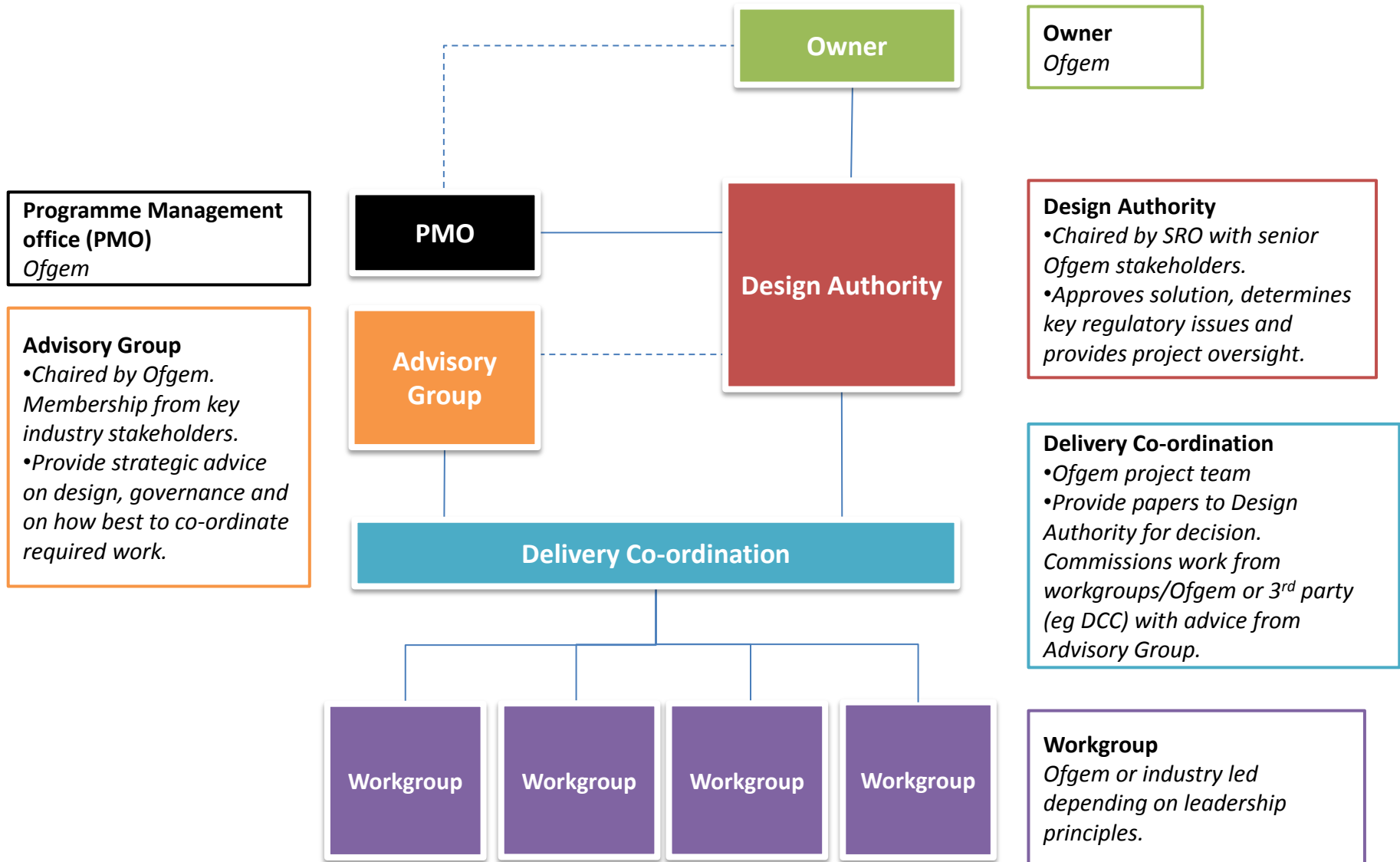
Q: Do you agree that Ofgem should lead the Blueprint phase?

	Pros	Cons
Ofgem	<ul style="list-style-type: none"> • Strong industry oversight and focus on consumer • Co-ordinate wide range of activity through SCR 	<ul style="list-style-type: none"> • Will require Ofgem to adequately resource/ secure the right capabilities to lead and facilitate this work
DCC	<ul style="list-style-type: none"> • Develop service they will deliver • Able to procure services externally • Governed through licence with price controls that can set required outcomes. 	<ul style="list-style-type: none"> • Potential reduced focus on smart roll-out • Should provider design the requirements? • May not have incentives to design with a focus on consumer outcomes?
Industry	<ul style="list-style-type: none"> • Expertise on current arrangements • Retain DCC focus on smart 	<ul style="list-style-type: none"> • Mixed/weak incentives for reform • Difficult to co-ordinate cross code, industry and multi licence changes • Delay if requires licence amendments

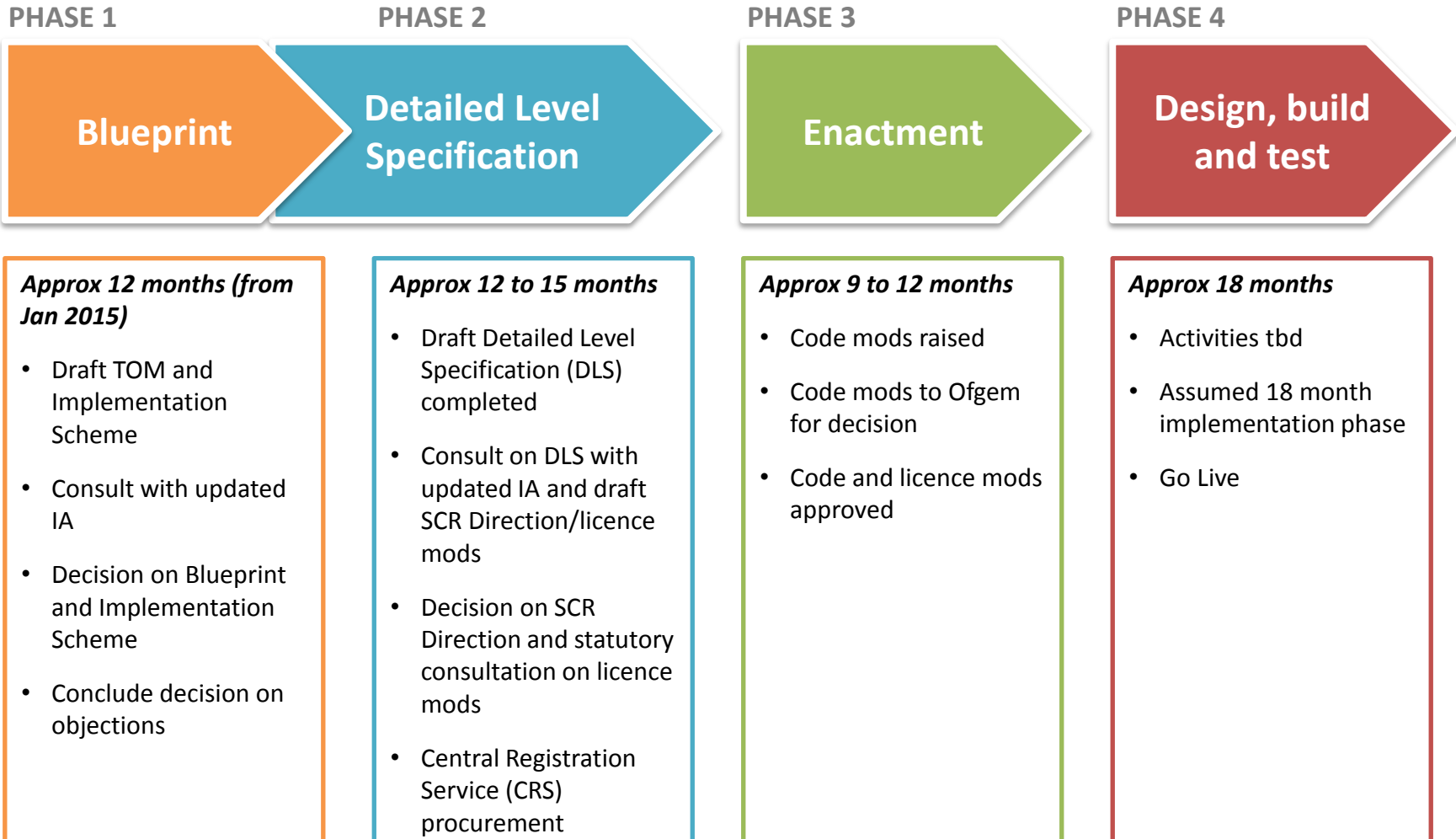
Q: Do you agree with our assessment of the benefits to using the SCR process to deliver switching reform?

- A Significant Code Review (SCR) is the best tool to develop and co-ordinate the required changes to multiple industry codes and licences across the gas and electricity market
- Ofgem leadership through the SCR process can help focus on getting the best overall outcomes for consumers
- Ofgem can use the SCR process to set the pace of reform while also retaining flexibility to refine and improve solution design

Q: Do you agree with our proposed structure for the Blueprint phase?



Q: Do you have comments on our draft high level plan?



- Update at November SMCG
- Publish Decision document and draft TOM in Dec
- Commence Advisory Group and Workgroup meetings from early 2015

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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.