

Switching project

Target Operating Model and updated project governance

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ofgem

1. Update on road map for reform
2. Review approach and undertake gap analysis on 'Level 0' Target Operating Model (TOM) that we propose to publish in January alongside our decision document
3. Review our updated governance framework
4. Next steps

Suppliers to halve switching timescales by end 2014

**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 from 6 to 10 Nov 2014
- Most suppliers expected to be gaining customers in new timescales by start of next year

Recap on reliable next day switching discussion from last SMCG

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

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

3. Longer term reform

- June 14 consultation respondents supported our proposals to radically reform the switching arrangements to make them fast and reliable. There was also support to centralise registration under the DCC with SEC governance
- We propose to lead the project and use our Significant Code Review (SCR) powers
- We have identified four project phases through to implementation (see Annex) starting with a Blueprint phase where we will define market requirements in a TOM

Do you agree with our approach and objectives for the TOM?

- Publish a 'Level 0' TOM document alongside our policy statement of reforms.
- Will be first picture of future arrangements (what we know now and issues for resolution)
- Will support development of this picture (foster communication; transparency, traceability of issues and requirements).
- We will lead resolution of issues during Blueprint phase leading to a consultation on a 'Level 1' TOM. This will inform the next, Detailed Level Specification (DLS), phase.

Do you agree with the main elements of the TOM?

1. **Vision, objectives and scope** (faster, reliable, cost effective, switching)
2. **Design principles** (to convey vision and objectives to guide TOM)
3. **'As-is' arrangements** (to baseline for comparison of future)
4. **Requirements - design, governance, charging, price control, and delivery** (i.e. view of state of future arrangements)
5. **Areas for development - design, governance, charging, price control, and delivery** (i.e. issues to resolve)

Do you agree that we have identified the correct CRS and Switching areas for development?

Central Registration Service (CRS) design

- ☐ **CRS data:** Data items held (including new items), responsibility and access (including enquiry services)
- ☐ **CRS interface:** Supporting business processes, formats and technology (eg comms protocols)
- ☐ **Other registration requirements:** Role in supporting other market functions eg settlement, network charging, smart metering and environmental schemes (eg Green Deal and FITs). Interface to network MPxN creation and destruction process

Faster switching design

- ☐ **Registration:** End to end process for how a change of supplier process will operate
- ☐ **Objections:** Design processes with and without objections
- ☐ **Dual fuel:** How dual fuel switching will operate
- ☐ **Cooling-off arrangements:** What happens when a customer cancels a contract
- ☐ **Prevention of erroneous transfers:** Design arrangements that can support suppliers switching the correct supply point
- ☐ **Change of supplier meter reading:** Ensure accurate and timely COS read for billing, settlement and network charging
- ☐ **Security Key:** Incorporating the enduring security arrangements
- ☐ **Lock-out period:** Is a lock-out period after a switch still required
- ☐ **Non-domestic consumers:** What additional requirements need to be incorporated eg gas nomination process
- ☐ **TPIs:** Role in supporting fast and accurate switching and access to CRS data

Do you agree that we have identified the correct Governance areas for development?

CRS and switching governance arrangements

- ☐ **Governance framework:** SEC structure and governance (including modification rules and assurance), changes needed to existing codes (MRA, BSC, DCUSA, DTSA, UNC, SPAA)
- ☐ **DCC governance:** Obligations and incentives to support outcomes for consumers
- ☐ **Obligations on market participants:** Obligations on data use and access, including the roles and responsibilities of SEC and non-SEC parties

Do you agree that we have identified the correct Charging areas for development?

CRS charging

- ☐ **Charging methodology:** Requirements and principles to be included in DCC license; methodology in the SEC. Amend existing network charging methodologies.
- ☐ **CRS charging:** Who pays, how much and invoicing

Do you agree that we have identified the correct Funding areas for development?

CRS price control

- ☐ **Enduring CRS price control:** Structure, obligations and incentives
- ☐ **Existing price control:** Exiting network price control arrangements with respect to registration

Do you agree that we have identified the correct Delivery Approach areas for development?

CRS delivery

- ☐ **CRS procurement:** Develop a procurement strategy including role of Ofgem in approving appointment
- ☐ **CRS development:** How will the CRS be built once procured
- ☐ **CRS testing:** Strategy for testing CRS to ensure that it work and is fit for purpose

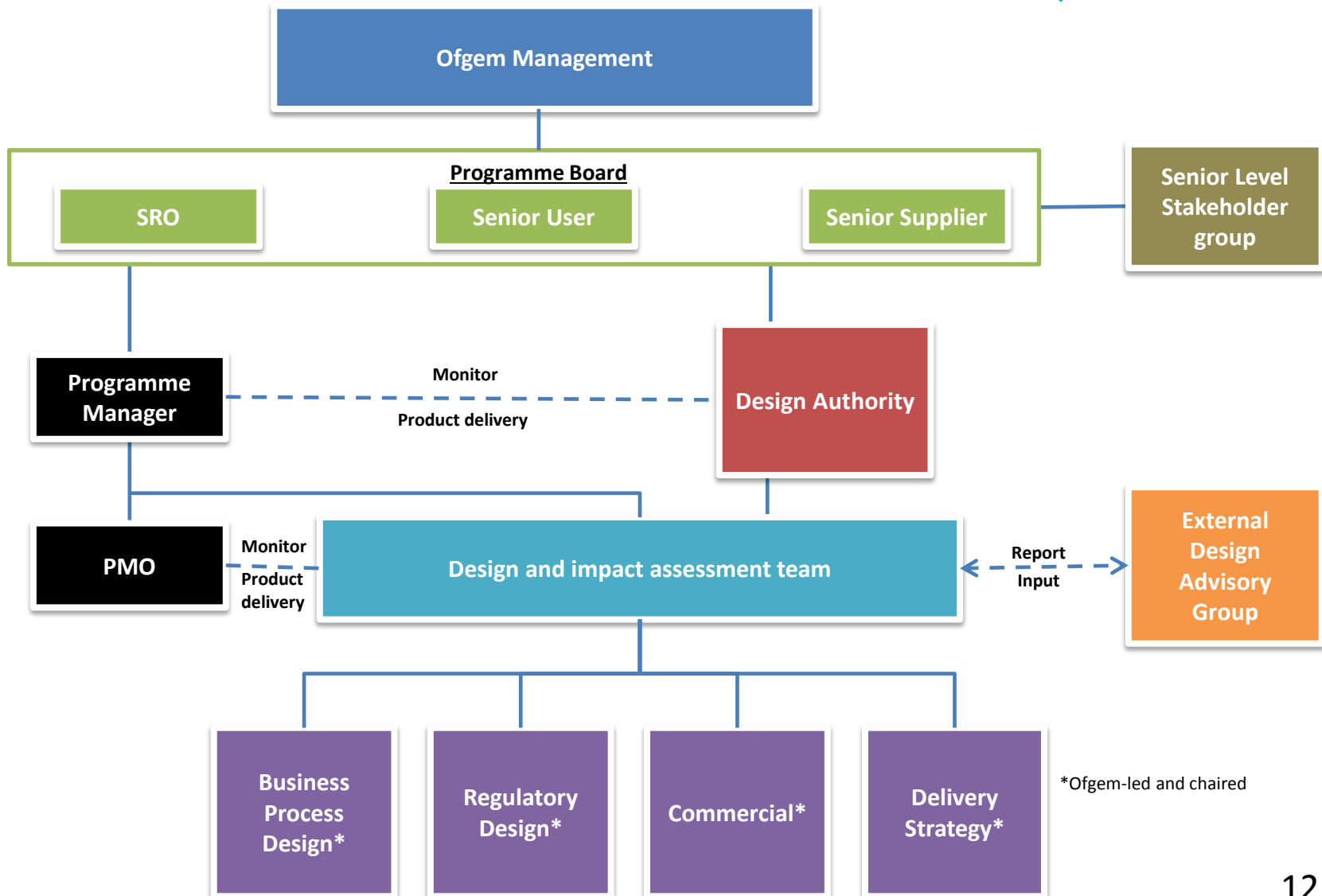
Market readiness

- ☐ **Market readiness strategy:** Provide market assurance that the new arrangements are ready to go live. This will include arrangements to demonstrate that the market definition and regulatory changes are fit for purpose and that all market participants are ready to go-live. Focus of this area is on developing appropriate testing.

Transition and implementation

- ☐ **Transition and Implementation scheme:** How the new CRS and switching rule will come into effect and how old rules will be turned off. It will include how data will be migrated to the CRS and will describe the go-live implementation technique
- ☐ **Governance:** Party roles in developing, overseeing, delivering implementation scheme. What governance framework the scheme will come under. Identify interactions with market readiness (above).

We would welcome further views on our amended governance structure



We would welcome views on our proposed workgroup structure

Business Process Design

- Focus on CRS design and switching design
- Potential for sub-group on metering issues

Regulatory Design

- Focus on CRS and switching governance arrangements and CRS charging
- Exclude overarching obligations and incentives on DCC to secure the establishment and provision of a CRS

Commercial

- Focus on what is needed to secure the establishment and provision of a CRS
- This includes the overarching obligations and incentives on DCC, price control arrangements and developing a procurement strategy.

Delivery Strategy

- Focus on how to implement the new arrangements once codes and licence modifications have been agreed.
- This will include CRS delivery (other than procurement strategy) Market Readiness and Transition and Implementation Scheme.

- We want to continue to test our draft TOM and implementation plan with stakeholders prior to publication
- Aim to publish these alongside our decision document and SCR launch statement in January 2015

ANNEX

Project phases

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

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