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11 August 2014

British Gas response to Ofgem's 'Moving to reliable next day switching' consultation

British Gas is strongly supportive of improving the change of supplier process to deliver more efficient, and accurate switching for customers. As consumers will bear the costs of reform, it is imperative that it meets their expectations of a switching process that is simple, reliable, and provides value for money.

We are committed to working with Ofgem to design a change of supplier experience that is fit-for-purpose for future energy markets. However, we have some concerns around Ofgem's assumptions and have set out our suggestions on how this important initiative should be taken forward.

- **Reliability must be maintained or improved:** We agree with the ambition of this project to deliver as fast a switching process as possible, but not at the cost of reliability. The consultation document and Ofgem's research have indicated that customers feel the same way[1]. Given that all options are defined at a relatively high level, we encourage Ofgem to keep all of the current timing options open until the target operating model work is complete, and remain open to other proposals that may be put forward. This will give industry and Ofgem the opportunity to validate the robustness and reliability of each option.

- **Costs of reform options should be grounded:** The industry costs provided to date via Ofgem's request for information are based on a wide range of assumptions, and further work will be needed to validate these once the design is defined in more detail. We suggest Ofgem prioritises a review, at

[1] Ipsos Mori research presented to change of expert supplier group (COSEG)

the end of the target operating model phase, so that costs and benefits can be assessed with more confidence. We think that in line with Ofgem's drive for cost reductions to consumer bills, it is imperative that a quantitative cost-benefit assessment is completed which sets out the value in pounds that customers attach to the ability to change supplier the following day. A faster switching process will be in place by the end of 2014 and any quantitative research should be conducted in 2015 to ensure we are measuring the incremental customer benefit from this baseline. It is important that we know whether customers think next day switching is value for money before we commit to a major programme of work.

- **A programme of industry change, with appropriate governance is required:** The industry is currently preparing for a period of unprecedented change. Any reform to the switching arrangements is an additional major programme of change to be delivered to the same timelines. To manage this reform and safeguard consumer experience, we recommend that Ofgem establishes a programme-level change governance structure. This would enable Ofgem to work with industry to identify the change bottlenecks, dependencies, risks and capacity constraints and to prioritise projects accordingly. We consider that DECC's Smart Metering Implementation Programme (SMIP), and its supporting stewardship role, provides a good model for this.

- **Delivery Plans should be realistic:** Associated with the above point, it is important that plans for go-live take into account all associated industry change programmes, and that in particular, interdependencies and overlaps between plans are identified and managed.

- **Data Quality should not be allowed to compromise delivery, or the final product:** The complexity associated with migrating databases containing 53 million meter points, and managing data cleansing and transition, should not be underestimated, and we note that Ofgem is already exploring this issue by writing to the industry code panels on this subject. We strongly urge Ofgem to develop an industry-wide programme plan that provides sufficient time to complete these activities and to assess the

deliverability of 2018 before seeking to bring this target date forward.

- **Network costs should reduce to reflect reduction in activities:** The current proposals will understandably result in the network companies no longer being responsible for registration systems. Therefore we ask Ofgem to commit to re-opening the price control, to ensure that customers' money is not assigned to cover an activity that the network operators no longer have to bear.

- **Industry Codes and supporting governance should be modernised:** Given that it will be necessary to open up existing retail codes to support changes in responsibilities for registrations, we recommend that a full review of this area is undertaken. Our view is that current industry codes can be streamlined, and that supporting governance is outdated and requires a complete overhaul to ensure it delivers for the industry and ultimately for customers.

We would welcome the opportunity to discuss our response to this consultation and our recommendations, and we look forward to working with Ofgem in designing a change of supplier process that is efficient, reliable, robust and value for money, with an improved customer experience at its heart.

If you have any questions, please contact Tabish Khan in the first instance on 07789 575 655 or Tabish.khan@britishgas.co.uk.

Yours sincerely

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Appendix: British Gas answers to consultation questions

1. Do you agree that we have accurately described the benefits of improving the switching process?

We largely agree with Ofgem's qualitative benefits associated with faster switching, however we are not persuaded that it will necessarily encourage new entrants. The ability to gain customers quickly means that those suppliers can also lose customers rapidly. Given that energy suppliers purchase energy on the wholesale market in advance, there is an increased risk of being exposed to large imbalance costs if a significant proportion of their customers were to switch away – for example immediately after a price increase.

Before a reform option is selected, we suggest that a quantitative analysis is carried out to determine customers' willingness to pay for a faster switching process, as this will provide an industry budget that we should be aiming to achieve or better. This research should also explore the comparative benefits customers place upon reliability versus speed, as this will further guide the detailed design of reform options.

With regards to faster switching potentially furthering competition, we note the potential for it to encourage greater numbers of customers to change supplier. However, we have not seen any evidence on whether a faster switching process will result in increased switching rates, or if it will result in disengaged customers becoming more active. Therefore, customer research may be needed to determine whether switching reform will lead to a more competitive market.

2. Do you agree with our impact assessment on next-day, two-day and five-day switching based on either a new centralised registration service operated by the DCC or enhancing existing network-run switching services?

British Gas agrees with many of the assumptions and conclusions in Ofgem's impact assessment (IA). We have set out below our observations and where we wish to challenge the conclusions of the IA. We would be happy to work with Ofgem to make any necessary changes which may make the analysis more robust.

We have already seen large programmes such as the smart metering rollout being subjected to a National Audit Office review and we would not feel comfortable supporting an impact assessment and cost-benefit analysis unless we were confident that they could withstand a similar level of scrutiny.

In our response to Question 1 above we suggested that quantitative analysis be carried out to determine the value of a faster switching process to customers in pounds and pence, and also how customers value speed in relation to reliability.

Until these facts are known, we ask that no option be dismissed before the target operating model phase. This is supported by data in the IA which suggests that the two and five day options are significantly cheaper than next day, and therefore it is sensible to keep these options within scope while the requisite consumer research is completed. We are concerned that Ofgem has concluded in the consultation document that two-day switching is unlikely to meet customers' needs when we are not aware of any evidence to support this view.

Next day switching, if implemented, will provide the fastest switching process of any comparable industry – no other sector currently enables a next day switch without being required to talk to the current supplier first. This is a good ambition to have but further makes the case for a quantitative impact assessment to justify this radical reform in terms of delivering value for money to customers.

We agree with Ofgem's recognition that switching may need to take longer for certain customers, such as businesses and domestic consumers using traditional prepayment meters. As all domestic and business customers share, and should continue to share, one set of registration systems, it may be difficult to treat them differently even if there is a business case to do so. Therefore we consider that understanding whether it is possible to manage business customers via a different set of switching processes should be seen as one of the objectives of the target operating model. We are also concerned that prepayment customers are often deemed to sit on the 'non-happy path'. This stance should not be accepted as read, and we should seek to ensure that the benefits of faster switching apply to these customers as well.

We note that the IA assumes that all customers will have a smart meter at the end of 2020. Although this is in line with DECC's smart metering IA it is clear that there will be a number of customers who will either opt out or be required to remain on traditional metering. Transitioning these customers on to a centralised registration system and their ongoing administration will both incur costs, and these costs should be factored into the IA.

The network companies will also need access to a central registration database and it is not clear in the Ofgem consultation how this will be facilitated. It is important that this is done at minimal cost so that there is not a duplication of live databases nor an unjustified allowance provided to the network companies, but ensures that they are still able to carry out their duties effectively.

3. Do you agree with our proposal to implement next-day switching on a new centralised registration service operated by the DCC?

We agree that radical reform of the current change of supplier will not be possible with the existing systems in use today, but we have unanswered questions on whether next day switching is the most cost effective way forward. Our recommendations on reform options are set out in our covering letter and our responses to questions one and two. For this question we have focussed on whether a new system will be required rather than building upon the current systems.

We support the conclusion of Ofgem's cost benefit analysis that starting afresh with new centralised systems is the best approach to designing a switching process suitable for future energy markets.

As the DCC's systems will hold relevant smart metering data, it is logical this system should be closely linked to the DCC's systems or sit within them.

However, it is important that an open and rigorous procurement process is carried out to ensure that the solution delivered is robust and delivers value for money.

If registration systems were centralised then it would be logical to consider whether there is a case for centralising both data processing and aggregation at the same

time. Under a centralised registration model, data will pass from the meter to the DCC, the data processor (DP), the data aggregator (DA) and then into settlement. The potential benefits of reducing the complexity of change of supplier may not be fully realised without either the centralisation of agents or a model that simplifies the processes and data flows associated with supplier agents.

One concern we wish to highlight is that a centralised registration system will create a real time interface with supplier and network systems where all systems will potentially need to be kept up-to-date simultaneously. This increases the risk of errors should the two databases become misaligned.

One method for managing this risk may be to place all data on supplier databases and the central system to act as a system which validates and re-routes messages, in a similar vein to the DCC.

It would be prudent to explore comparative models such as the processing of credit and debit card transactions at shops and cash machines, to determine if there is a more efficient solution available.

Rather than being seen as an 'end state', the reform of change of supplier should be seen as one part of a suite of related industry changes that will bring about a more integrated set of industry systems. The following should be considered by Ofgem alongside any reform options:

- The migration of registration systems into the DCC, and by logical extension the Smart Energy Code (SEC), should be seen as an opportunity to take another look at industry governance. It is likely that many existing codes including the UNC, MRA and SPAA will be impacted and a thorough analysis will be needed to determine the full impacts of removing sections of these codes and placing them within the SEC.
- This re-location of governance and obligations should be used as the first step in re-assessing the case for industry code consolidation. Code consolidation was within the initial scope of the Smarter Markets work plan and this would be an ideal time to re-visit the significant benefits in efficiency it may deliver.

4. Do you consider that fast (e.g. next-day) switching will not have a detrimental impact on the gas and electricity balancing arrangements?

We think that next day switching may have a detrimental impact to supplier balancing. Short notice of significant customer loss will mean that suppliers will not be able to factor this loss into their hedging strategy. Though faster switching may encourage greater price elasticity among customers, it may also force suppliers to reflect this risk premium into the tariffs they offer.

The sudden loss of a significant number of customers will incur large imbalance costs with very little recourse for suppliers to address this risk. We estimate that losing anything greater than 1.5% of its customer base will be noticeable in a supplier's imbalance position.

Collective switching is increasing in scale and with projects such as the Retail Market Review and faster switching in place by the end of the year, both encouraging greater switching, this is likely to be a significant risk for suppliers. Though it will impact all suppliers, those most likely to be hit the hardest may be smaller suppliers and new entrants as their customer base tends to include many price-elastic consumers. A sudden loss or gain of customers may prove difficult to manage for smaller suppliers and the risks of system failure and/or financial difficulties are likely to increase for these suppliers.

It is also important to recognise the significant risk posed by 'serial switching'. We think it would be unwise to allow customers to switch supplier every one or two days and thus avoid paying any bills. Any irrecoverable debt will be unfairly passed on to rest of the supplier's customer base. It is important that the target operating model addresses this point and introduces a restriction that prevents serial switching for the avoidance of debt, but should not be seen as a barrier to effective switching.

5. A central electricity metering database is not currently included within our proposed package of reforms. Do you agree it should be excluded?

British Gas do not believe that a central electricity metering database is necessary, and it would simply add complexity and cost. With the DCC due to come in for 2015 it would be illogical to set up, maintain and administer a separate database.

We do not see any benefit in maintaining metering data in a central repository and we would argue that requiring yet another 'version of the truth' to be maintained is likely to lead to more inconsistent data between data sources thus potentially resulting in delays or errors.

6. If a central electricity metering database is included within our proposed package of reforms, do you consider that it should cover both AMR and traditional meters? Do you think that there would be any benefit in extending the central electricity metering database to cover smart meters?

As set out in our previous answer, we do not believe that a central electricity metering database is necessary. Should Ofgem decide that metering data should sit in a central location then the DCC is the logical home for this data, although it is unclear whether this would result in the realisation of any benefits.

7. Do you agree with the implementation principles that we have identified?

We have set out our views against each principle below:

- **Principle 1 – focus on consumer outcomes**. It is important to deliver a fit-for-purpose end product for consumers and it is also important that it is delivered at value-for-money. Quantitative consumer research to determine to what extent consumers value a faster switching process would support this principle.
- **Principle 2 – Implement as soon as possible**. We disagree with this principle. While it is important not to delay any reform unnecessarily, it is far more important to deliver a robust and reliable switching process, taking account of the full landscape of concurrent industry change. Increasing the speed of implementation is likely to increase cost and risk. As we have set out in our covering letter, this reform will be extremely complex and the risks of cutting over between live databases are also high. We would agree that

delivery should be as early as grounded plans demonstrate is achievable, within acceptable risk tolerances.

- **Principle 3 – Make best use of industry expertise.** We strongly support this principle and would welcome all opportunities to work with Ofgem and industry to design our future change of supplier process.
- **Principle 4 – Identify and manage risks**. This is another important principle and we have set out our views on the identified risks in our next answer.

8. Do you agree that Ofgem has identified the right risks and issues when thinking about the implementation of its lead option (next-day switching with centralised registration)?

Yes, we consider that Ofgem has identified the right risks and issues; however, each risk will need to be explored comprehensively as the project moves into the target operating model phase.

We have particular concerns around competing industry priorities. There is a large amount of change currently planned for the second half of this decade, including but not limited to settlement reform, centralisation of agents, mass roll-out of smart meters, Project Nexus, gas and electricity balancing significant code reviews and electricity market reform.

It is also worth noting that 2017 and 2018 will be peak years for meter replacements, never attempted at this scale, adding complexity to the migration exercise though the sheer volume of metering data that will be changing as a result of the smart programme. This is not insurmountable but demands rigorous assessment and management

We propose that Ofgem, working with DECC, establishes a change governance oversight function to ensure that competing resource intensive changes can be compared in terms of customer benefit to ensure industry prioritises the change programmes that will benefit customers most. It should also consider the linkages, dependencies and risks of simultaneous implementation associated with these major reforms.

This governance body should also take into account the dependencies between programmes to ensure there is a clearly defined route map of industry change. It is imperative that the industry as a whole can continue to operate, without introducing unacceptable risks to customer experience, which would further undermine trust and confidence in the market.

9. Do you agree that we have identified the right implementation stages?

We agree with Ofgem's three requisite implementation stages of design, regulatory changes and then detailed design, build and test.

However, there is a large amount of detail within each stage and it is important that robust project management and governance of this programme is in place before the detailed design stage commences. Only through robust programme stewardship can Ofgem and industry ensure that any reform is delivered efficiently.

Change of supplier reform will be a large programme of work that is likely to be on a similar scale to the smart metering programme. The number of processes involved is significant and therefore is likely to involve a high degree of complexity that we consider can only be traversed through strong leadership and governance by Ofgem

It is important to also consider related activities that are planned or underway. Ofgem has also stated that it will carry out a review of the objections process this summer and Energy UK is also leading some work concerned with switching during the cooling off period. We would appreciate some clarity from Ofgem as to how these work areas interact with the overall scope of this project. The benefits of next day switching are lost if customers are not able to switch during the cooling off period so it is important this is resolved before progressing with wholesale reform.

10. What do you think is the best way to run the next phase of work to develop the Target Operating Model for the new switching arrangements?

We agree with Ofgem's view that it does not have the in-house expertise to deliver the target operating model but we are concerned with suggestions that Ofgem could

assign the project management role to a third party rather than retaining a significant degree of control over this programme.

It is essential that Ofgem maintains control and oversight of this work to ensure it remains on track and to resolve any differences of opinions between industry parties.

While we recognise that the DCC is designing processes for the smart metering rollout, we must also note that it is not an expert on the current change of supplier process and does not necessarily have positive incentives to minimise costs for industry participants.

Any involvement of DCC in this project must be framed by assurances that it will not have any detrimental impact on the smart metering infrastructure The DCC is currently responsible for setting up an essential part of the smart metering infrastructure and therefore it is imperative that it is not distracted from the task at hand. Even after initial live operation it will be responsible for facilitating mass rollout of smart meters and the adoption and enrolment of smart meter populations outside of the DCC. Our experience in Foundation suggests that the DCC will be fully engaged during this period.

We would expect working groups to be largely chaired by Ofgem but recognise other analysis and data-gathering activities may need to be outsourced to industry experts and parties to deliver. British Gas is willing to provide sufficient resource to this project to ensure the delivery of an end product that is the best solution for customers and not unduly onerous for industry parties.

11. What do you think are the advantages and disadvantages of the DCC being directly involved in the design of a Target Operating Model for the new switching arrangements, and the development of the detailed changes required?

The advantage of including the DCC within this work is that they will be the overall owner of the systems once they go live and responsible for maintaining them to agreed service levels. Therefore it is in their interest to ensure we arrive at a robust and resilient design.

The disadvantage is that the DCC will be responsible for any future changes to the industry switching systems and therefore it may not be in their interest to design a flexible system that is amenable to low-cost change under any future re-design.

As mentioned in our previous answer, it is essential that the DCC retains its focus on the smart metering rollout and any compromise to this task to accommodate work in the change of supplier project would be unacceptable.

British Gas has no opposition to including the DCC within this work and requiring it to be responsible for certain deliverables in the project. However, we believe that Ofgem should retain a stewardship role that involves chairing and managing all the meetings, and retaining overall responsibility for delivery of this programme of work.

There may be merit in Ofgem considering potential secondments of business process experts from suppliers as they may be able to provide a useful insight into the existing processes and how they may be reformed.

12. Do you agree that an SCR is the best approach to making the necessary regulatory changes to improve the switching arrangements?

We agree that an SCR is the best approach, Secretary of State powers would not be appropriate for an Ofgem-led programme and industry change is not set up to deal with a significant change project with multiple outputs.

An SCR only requires Ofgem to make determinations that feed into the industry code process. Given the complexity of this work programme it is important that Ofgem retains overall stewardship of any consequent changes to ensure they are delivered to time.

We are already seeing changes (supported by industry), covering areas such as smart metering and faster switching, being rejected by industry code panels because the attendees do not liaise with their relevant colleagues and simply take a traditional metering view of the industry. Ofgem's firm leadership will be needed to ensure all the relevant changes filter through into the appropriate codes and systems.

British Gas believes that removing the licence obligations on network operators to provide registration systems will result in more efficiently-run systems. However, these network operators are provided with allowances under their price controls to maintain and improve these databases. Therefore it is important, that as part of the SCR, Ofgem re-opens price controls to assure that this allocated money is returned to customers.

Further, we consider that robust stewardship of this programme by Ofgem will negate the need to impose licence conditions on suppliers to ensure that switching reform takes place. This requirement on suppliers through licence would be unprecedented and we do not consider it to be necessary as it is in supplier interests to ensure the re-design of the switching process is robust and cost-effective.

13. Do you agree with the proposed implementation timetable? Are there ways to bring forward our target go-live date?

The high level timeline provided in the consultation document alludes to a large amount of time available to deliver this project. This is misleading as the number of deliverables and outputs that sit under this timeline is immense. Therefore timescales are already very tight. We strongly urge Ofgem to check the viability of the 2018 deadline against all other industry changes and to construct a grounded plan as early as possible to demonstrate the earliest realistic delivery date.

The timing does not factor in the vast amount of data cleansing that will be required before transitioning data, the difficulties of reliably managing the migration of 53 million meter points between live databases, the parallel running of systems and how to migrate traditionally-metered customers on to the new system, the inherent complexities of the design phase and the numerous changes that will need to be made to industry codes and licences.

We are also within a period of significant industry change including major projects such as Nexus, Significant Code Reviews for gas and electricity balancing, electricity market reform and settlement reform. All of this change is on top of a major re-

engineering of supplier systems and processes due to the mass rollout of smart meters.

This level of change will mean that all switching reform will have to be proposed against a constantly evolving baseline and this will increase the difficulty, and therefore increase timescales, to any proposed wide-scale reform.

All of these activities will need strong governance to ensure they are completed in an accurate and robust manner. Reducing timescales will come at a price, both in terms of financial cost and an increased risk. Neither of these is an acceptable outcome for customers and therefore we re-iterate our recommendation to remain steadfast to the original target implementation date of 2018. An earlier implementation may also result in risk to other ongoing industry programmes which may be deferred or jeopardised.

Appendix 2: British Gas answers to consultation appendix questions

14. Do you agree that we have accurately identified and assessed the main reforms that could improve the switching process?

British Gas was a regular attendee at the change of supplier expert group and has contributed to the meetings which have resulted in the reform options set out in Ofgem's consultation. However, we recognise this work has progressed on a rapid timescale and there has not been sufficient time for industry parties to consider fully whether other viable reform options exist.

There are differing models within the telecoms and banking industries and these may provide an opportunity to learn from other industries to help re-design the energy switching processes. Work will continue within British Gas to explore other options and if we discover other potential ways forward, we will bring them to Ofgem's attention. We value the opportunity to discuss different reform options with Ofgem before the target operating model phase commences.

We also believe that the centralisation of DP and DA functions should be considered within the reform options. We note that this is understandably being progressed under the settlement work stream of smarter markets; however there are potential benefits of ensuring that the centralisation of these functions is concurrent with centralisation of registration systems.

The current arrangements for ensuring a meter operator, data collector and data aggregator are assigned to each supply point require a large amount of data exchange on a change of supplier event. All of these exchanges present opportunities for data mismatch and corruption; hence centralisation of agents could be a significant improvement to the change of supplier process. The benefits of a quicker and more effective registration system may be negated if the other links in the chain are not also improved.

15. Do you agree that our approach, methodology and assumptions are appropriate to identify the quantified impacts of our reforms?

We largely agree with Ofgem's approach, methodology and assumptions used in this cost-benefit analysis and our exceptions are set out in our answers to the questions below.

As set out in our covering letter, and in our previous answers, we would like to see a commitment from Ofgem to revisit the costs and benefits at appropriate points throughout the work programme. This will enable industry and Ofgem to ensure our planned approach will be fit-for-purpose and deliver value-for-money to customers. Clear re-visitation points should be included after the target operating model has been detailed and before any build commences, but there will be other points identified once we have visibility of the detailed project plan.

The appendix sets out that both large and small suppliers were consulted but is unclear on whether any non-domestic only suppliers were included. Their costs and benefits are likely to differ from domestic suppliers and it is important that they are represented as well.

16. Do you agree with our approach for approximating the direct costs for market participants of investing in upgrading existing registration systems to real-time processing and the ongoing costs of operating these systems?

As we have set out in our answer to the previous question we are largely in agreement with Ofgem's assumptions on approximate costs but would like to challenge the following approximations:

- Equivalent large supplier CAPEX figures have been used to estimate costs for a large supplier who has not provided this data. We do not consider this appropriate as all large suppliers have bespoke systems and the costs are likely to vary between suppliers. Therefore we ask Ofgem to work with the omitted supplier(s) to ensure that its costs are factored in once this analysis is re-visited in line with our earlier recommendation.
- We are concerned that Ofgem's assumption is that 100% of domestic and small consumers will have smart metering. While this is in line with DECC's impact assessment, it is not realistic as there will inevitably be customers outside of network coverage and those who refuse to have a smart meter

installed. By making this assumption, the analysis does not factor in the legacy cost of managing these customers on a parallel run system or the cost of migrating them into a new database. These costs will need to be factored into the overall cost-benefit case for all reform options.

- It is unclear whether DNO avoided costs relate to their current spend on the registration systems. If so, then this cannot be factored in until there is certainty that Ofgem will re-open the relevant price controls to ensure this amount is returned to customers via supplier bills.

17. Do you agree with our assumption that the direct costs for market participants of investing in systems to shorten the objections window and the ongoing cost of operating these systems would be similar for a two-day and a one-day objections window?

We agree with the assumption that the costs associated with the objection window within options 2a, 2b and 4 are the largely the same and representative. This is as they are line with the processes suppliers operate today.

Even though our objection processes are largely automated and therefore the cost of operating them is the same irrespective of speed, the benefits of a longer objection window are that it provides a greater opportunity to raise a customer-led objection or to process an objection that still requires manual intervention. Though we have not quantified this benefit, it should not be ignored.

18. Do you agree with our assumption (see Annex Figure 3) that 10% of the counterfactual change of supplier electricity meter read costs provided by market participants should be attributed to AMR meters?

We consider that the 10% costs attributable to AMR meters is representative.

19. Do you agree with our assumption (see Annex Figure 2) on the reduced efficiency of operating a central electricity metering database for traditional and AMR meters as the numbers of traditional meters declines?

We agree that a central electricity metering database will become less efficient over time as more meter details are migrated on to the DCC and it becomes difficult to justify the spend to maintain a database with a very limited subset of customers.

Once smart rollout is complete, it may be worth exploring establishing a metering database within DCC to manage the details of those customers outside of network coverage and those who have refused a smart meter install.

20. Do you think there is efficiency potential for shortening the objections window to one day combined with: (a) upgrading the existing gas and electricity registration systems to real-time processing; or (b) centralising registration with real-time processing? If so, what do you estimate this efficiency potential to be?

As stated in our response to the Ofgem request for information (RFI), we recognise that there will be efficiency savings from a single implementation rather than consequent system changes. We are unable to attach a value to this saving so we can neither confirm nor dispute Ofgem's approximations; however we agree that the savings will be greater for implementing a new system compared to placing centralised registrations on the old system, which isn't designed to be altered in such a fashion.

We do wish to highlight that though a single change may be more cost-efficient it does result in increased risk due to the amount of change that will be implemented simultaneously. This will require a longer testing window to ensure that there is sufficient robustness in the system before it goes live.

21. Do you think the results set out in this appendix are comprehensive enough to show the potential direct cost impacts of the reform packages we have considered?

No. British Gas provided a thorough response to the Ofgem RFI with the caveat that many assumptions were made to provide the requisite figures. Given the time constraints imposed upon us to respond to the RFI, it is as robust a response as we were able to provide. Considering there are still significant caveats to our response,

if other respondents have not applied the same level of rigour to their respective responses then we would have serious concerns around the validity of this analysis.

We recognise that Ofgem has had to make some assumptions to produce these results but we do have concerns around the levels of variance in costs applicable to each option. As an example we refer to figure 7 in appendix 5 which indicates there is up to £75m difference between low and high level estimates for all three options. This is a significant variance and therefore we wish to re-iterate our recommendation that these costs must be revisited at a time when more certainty may be applied to the costs associated with each reform option.

We have set out our concerns in our previous answers around the approximations used in this analysis. With those concerns aside, we recognise that Ofgem has made a genuine attempt at quantifying the costs and benefits of these reform options with the data at hand. However, we do not consider these results to be comprehensive and as mentioned we would like to see these costs re-visited at various points of the change of supplier reform work before there is a commitment to proceed with a preferred option.