

Introduction

BUUK is the parent of the gas transportation licensees "GTC Pipelines Limited", "Independent Pipelines Limited" and "Quadrant Pipelines Limited"; and of the electricity distribution licensees "The Electricity Network Company Limited" and "Independent Power Networks Limited". Therefore the move to centralise registration to the DCC will impact on both our gas and electricity licensees. This appears to be most significant for our electricity distribution licensees where there is a requirement to move from separate registration systems for each licensee to a central registration system. For gas, we are already engaging in moving to central registration systems through Xoserve's SSP project. We are not sure what further changes will be required to move from Xoserve's systems to DCC provided systems.

BUUK considers each of its licensee businesses to fall under the description of small company (although we do recognise that in aggregate the gas licensees have circa 1.3 million metering points).

Much of Ofgem's consultation focuses on the importance that the change of supplier process has on facilitating competition and on providing customer confidence. Ofgem also state that they *"...believe that a more efficient, faster and more reliable process can reduce switching costs and increase consumer engagement. This can increase competition, leading to innovation, better service and pressure on prices"* and cite the OFT paper of 2003. We do not disagree with Ofgem's vision. However, we feel that we have insufficient information from the consultation to make judgement on whether a move to a single central registration service operated by the DCC is the best approach to meeting achieve it. We think it is essential that the total costs of moving to central registration and faster switching (say one or two days) can clearly demonstrate benefits to consumers which are over and beyond the costs of implementing new systems.

Efficiency and Estimated Costs

Ofgem comments that "making the switching arrangements simpler can reduce costs to suppliers and industry parties". Much of the analysis however appears to focus on the efficiency savings to suppliers. Our recent experience in gas is that whilst shippers and suppliers will benefit from significant cost and efficiency benefits, as an IGT we are likely to incur additional costs.

It is important that in moving to central registration systems operated by DCC that:

- those parties receiving the benefits should bear the costs.
- IGTs and IDNOs are not disadvantaged by having costs imposed on them which they are unable to recover through the RPC mechanisms in place for gas and electricity.

Ofgem indicate that they have worked with the industry to quantify the direct costs to them of Ofgem's reform packages. We would like to better understand sure what level of engagement Ofgem believes it has undertaken with IGTs and IDNOs in this respect. Whilst

we participate in the COSEG we did not discuss IGT and IDNO costs associated with a move to central registration.

We need to understand what data access arrangements are proposed for central registration. For Smart Meter Roll Out we will need to become a Registration Data Provider. For gas this is incorporated through the SSP solution. For electricity we have to provide and fund our own RDP systems. Our current understanding is that as a gas transporter and as a electricity distributor we do not need to become a service provider. We seek clarification:

- On changes we will need to make in respect of RDP provision (if any) and
- that the requirement to become a service user will not change as a consequence of moving to central registration

As a general comment, but specific to us as an IDNO, we are concerned that systems we are required to implement as part of the Smart Meter roll-out (RDP for example) will become redundant and investment costs stranded with no recovery mechanism under the IDNO RPC mechanism. we would welcome confirmation on Ofgem's approach in respect of this.

Ofgem indicate that the NPV of a centrally provided registration system is £22 million and that this is circa £80million less than independently provided systems. We are uncertain to what is in and out of scope of this analysis.

We also note that Ofgem appear to identify IDNOs and IGTs as small companies. However there is very limited information on Ofgem's assessment of IGT and IDNO costs. Whilst Ofgem has made limited reference to IGTs in its appendices, it makes no reference to IDNOs. The cost profile between fixed and variable will presumably form an important part of the debate of how a central registration service will charge parties for its services. We would welcome discussions on how these impact on us.

Use of UPRN

We note the potential to use UPRN data. However, we are concerned at the potential licence costs of doing so and would seek clarity on how this will be funded and by whom.

Implementation Approach

We agree that implementing the systems and processes to facilitate reliable next day switching is a major change. We agree that such change requires significant co-ordination across different industry parties and bodies. Therefore, we feel it is of paramount importance that Ofgem should facilitate the programme management either directly or indirectly through a third party agent. Our recent experience has been that where changes require coordination across different agencies and parties there is a vacuum at the hub since whilst each party or body has the vires to deliver their part of a programme, it has no

vires over other parties or on overall delivery. We urge Ofgem to not adopt a '*laissez faire*' approach.

Whilst we note that Ofgem are considering placing licence obligations on suppliers and distributors, this alone cannot assure delivery. Ofgem needs to be clear how bodies such as Xoserve and the MRA will engage with the process, particularly if this initiative will result (in whole or in part) their demise.

We support the implementation principles. However in making best use of industry expertise Ofgem needs to ensure that a tsunami of changes doesn't overwhelm the industry and spread the required expertise too thinly. There is already a risk of this happening with the current level of industry change. Ofgem appears to recognise this in its comments on competing priorities.

To make this real we will need to have details of detailed project requirements:

- What are the key milestones for us as an IGT and IDNO
- What is required and When;
- what are the dependencies and critical paths
- Who are the key stakeholders (e.g. systems providers and users)
- What is the engagement process (and confirmation that IGTs and IDNOs will be fully consulted)
- What additional requirements

Cross Subsidies

In centralising services to the DCC and to SEC it is important that there is a clear line of cost reporting to ensure that the costs associated with implementing central registration systems are not subsidised by or from and the costs of implementing Smart Meter systems within the DCC. We think it is important that the costs of one project are not masked or subsidised by the other.

Comments specific to Electricity and IDNOs

To adhere to the 'standard' industry offering for MPAS (i.e. the ST Clements system), BUUK has to operate two instances of MPAS, one for each licensee. This means we incur two sets of annual service charges from St Clements. To avoid this, we could look at merging two licences into one. However this would cause significant disruption for suppliers and customers: it would mean end dating and disconnecting the MPANs under one licence and creating new MPANs under a new licence. Nonetheless it is an option. We hope that

charging arrangements under central registration systems do not lead to perverse incentives to take actions that may not be in the wider interest of customers.

Most distributors use the Line Loss Factor Class (LLFC) part of the registration data to describe the tariff. We are unable to do so. This is because the limit of 999 LLFC codes means that we only have 72 LLFCs per GSP group. Therefore, we use a combination of the LLFC, profile class and SSC to define the tariff. Our billing system gives each valid combination a billing code (specific to us). We would like to understand if and how this would be impacted in moving to new arrangements. Whilst parties understand (more or less) the concept of IDNOs connecting 'embedded networks' to DNOs, it is less well understood that there may be more than one level of nesting; i.e. other distributors may (and have) connected to IDNO or out of area DNO networks.

Another area that causes problems is the establishment of valid combinations (LLFC,PC,SSC). Whilst market domain data sets out what these combinations are, it is up to the supplier to register the appropriate profile class and SSC against an LLFC. As a licensee we operate across all 14 GSP groups. However we do not support the same PC, SSC combinations for each group. This is because we are restricted to the offerings of the incumbent DNO. Any fundamental review on registration should consider these issues. One data item that appears not to be maintained in MPAS is the maximum capacity associated with an MPAN. This may be something that is required for a central registration system. If the registration arrangements are centralised, then we presume the enquiry service around registration and the provision of reports for suppliers would also be centralised.

As well as changes to the MRA, we believe changes to the DCUSA will also be required:

- To cover procedures for logical and physical energisation.
- To cover physical and logical disconnection.
- To cover change in LLFC(?)

We are also concerned as to how moving to a central system will change the interfaces and links and dataflow requirements for our in house systems. Any changes in this respect will undoubtedly result in costs.

Comments specific to Gas and IGTs

We believe that given that IGTs are moving to a central solution (through Xoserve's SSP project) there will be limited impact on IGTs through the further move to Xoserve. However this still needs to be confirmed, particularly if as a consequence of a move to DCC we are required to implement onerous and costly arrangements to comply with access requirements (e.g. RDP, requirements to become a service user and comply with DCC User Gateway Interface Specifications).

Next Steps

I apologise for the very brief nature of these comments, However as stated above, I am more than happy to meet with you to discuss. (If you are interested I can advise I am at Ofgem on the morning of the 29th August so could meet with you in the afternoon if that would be of value). However, we could arrange alternative dates