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11<sup>th</sup> August 2014

Dear Andrew,

**Energy Networks Association –  
Response to consultation on Moving to reliable next-day switching**

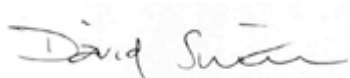
Energy Networks Association (ENA) is the industry body for UK electricity and gas distribution and transmission companies.

This response to Ofgem's consultation on moving to reliable next-day switching is submitted by ENA and is in addition to and in support of the individual responses of ENA member companies.

Generally ENA is supportive of Ofgem's proposals and minded-to positions expressed within the consultation document - our detailed responses are attached as Appendix 1. Our key concern, also expressed by all our member companies, is the amount of industry change already taking place during the period in which Ofgem envisage these new Change of Supplier arrangements being developed and implemented. We're pleased that Ofgem acknowledge this risk but wish to emphasise that the impact that competing industry priorities may have upon the delivery of these proposals should not be underestimated.

If you have any follow up queries please get in touch with Paul Abreu, Secretary to the ENA Smart Metering Steering Group, on 0207 706 5113 or [paul.abreu@energynetworks.org](mailto:paul.abreu@energynetworks.org).

Regards,



**David Smith • Chief Executive, Energy Networks Association**

## **Appendix 1 – ENA response to consultation on Moving to reliable next-day switching**

### **CHAPTER Two**

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

We agree that the benefits of improving the switching process have been accurately described here, although we would also suggest that in order to achieve these benefits customers will need to be provided with clear and understandable information regarding the new switching arrangements and Suppliers will need to take advantage of these.

In addition to the above we note that within the gas industry there are several initiatives aimed at improving both the timeliness and reliability of COS (e.g. UCN0477 and the recently initiated Data Quality Working Groups) being taken forward and it is not clear from Ofgem's proposal that the anticipated effects of these initiatives have been taken into consideration.

### **CHAPTER Three**

**Question 1: 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?**

We agree with the impact assessment against each of these options. There are likely to be significant complexities associated with the same day objections process (and potentially additional customer costs for the administration of this) and the operation of the cooling off process.

Again, within the gas industry existing work is being carried out to introduce new systems in 2015 under the UK Link Programme. It is not clear that this current work has been taken into consideration in Ofgem's impact assessment.

**Question 2: Do you agree with our proposal to implement next-day switching on a new centralised registration service operated by the DCC?**

For the electricity industry we agree in principle with the provision of a centralised registration service to facilitate next-day switching, although we are unclear as to the full scope of activities that would be undertaken by the centralised registration service under this new arrangement. Would it cover profiled and existing HH settled customers? Would it assume responsibility for related activities such as provision of the Customer Registration Telephone Advice Service and the range of services provided by the ECOES system? We would welcome additional clarity on these points.

For the gas industry it is crucial that a shipper-transporter register is maintained. Any decision to move COS to DCC should be based on robust assessment of all available evidence. Currently for the gas industry this is not available and therefore the benefits of a move to DCC have not been demonstrated.

**Question 3: Do you consider that fast (e.g. next-day) switching will not have a detrimental impact on the gas and electricity balancing arrangements?**

Provided any new processes are robust and properly governed any risk of a detrimental impact on the gas and electricity balancing arrangements should be manageable, again noting that for the gas industry it is crucial that a shipper-transporter register is maintained.

## **CHAPTER Four**

**Question 1: A central electricity metering database is not currently included within our proposed package of reforms. Do you agree it should be excluded?**

We agree that a central electricity metering database should be excluded from the scope of proposals. We note that the numbers of traditional meters should be small in number by this stage of the roll out programme.

**Question 2: 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?**

Should a central electricity metering database be included within the proposed package of reforms we believe it should cover all customers (so including traditional and AMR meters). We note that DCC will already hold an inventory of smart meters so it seems reasonable that this could be expanded to cover additional meter types.

## **CHAPTER Five**

**Question 1: Do you agree with the implementation principles that we have identified?**

We agree with the implementation principles identified.

**Question 2: 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)?**

We agree that the key risks have been identified. We note that a significant risk will be the competing industry priorities at the time the implementation will take place - both those that we are currently aware of and others that may emerge in the interim.

**Question 3: Do you agree that we have identified the right implementation stages?**

We agree with these implementation stages.

**Question 4: 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?**

As DCC will be responsible for the effective operation of the processes it seems reasonable that they develop the Target Operation Model - noting that industry stakeholders will need to be involved throughout the development process.

**Question 5: 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?**

A key advantage of DCC being directly involved in the design of the Target Operating Model is that they would have a connection from development and implementation through to operation. Some key disadvantages are that they will already be under significant pressure to deliver their 'core' functions in relation to the smart metering implementation programme. We'd also note that it is not good practice for a service provider to define the service that industry will contract it to deliver. This should be kept in mind when the specific arrangements for DCC involvement in the development of the TOM are put in place.

For the gas industry we'd like to point out that gas shippers do not currently have a relationship with DCC but would need to be involved in development of the TOM to ensure a suitable solution is identified.

**Question 6: Do you agree that an SCR is the best approach to making the necessary regulatory changes to improve the switching arrangements?**

We believe that an SCR is likely to be the most appropriate approach.

**Question 7: Do you agree with the proposed implementation timetable? Are there ways to bring forward our target go-live date?**

The timetable should be achievable (subject to review following the completion of the Target Operation Model) but we would note the significant activity the industry will be involved in delivering the smart meter implementation programme and other 'in-flight' changes (e.g. UNC0477 and UK Link Programme). Bringing forward the 'go live' date may unduly risk the delivery of a stable next-day switching process and other industry change programmes.

### **APPENDIX Three**

**Question 1: Do you agree that we have accurately identified and assessed the main reforms that could improve the switching process?**

Yes, we agree that the main reforms to improve the switching process have been accurately identified and assessed - although we again reiterate our desire for further clarity on the scope of the services to be centralised. Further consideration should be given to better understanding and accommodating the role of shipper relationships within the gas industry.

### **APPENDIX Four**

**Question 1: Do you agree that our approach, methodology and assumptions are appropriate to identify the quantified impacts of our reforms?**

No comment.

**Question 2: 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?**

No comment.

**Question 3: 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?**

No comment.

**Question 4: 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?**

As a representative of distribution business we do not have a view on this.

**Question 5: 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?**

Yes, assuming that smart meter details are stored separately.

**Question 6: 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?**

No comment.

#### **APPENDIX Five**

**Question 1: 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?**

Additional clarity regarding the scope of related services (e.g. customer telephone support and ECOES) that will be provided by the centralised registration system would enable the potential direct cost impacts to be better assessed. It is also unclear what impact the change of gas shipper process might have on these costs.