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Moving to reliable next day switching

Wales & West Utilities (WWU) transports gas to 2.4M supply points in Wales and south west England. We have answered those questions to which we can make a useful contribution and have therefore not answered specific electricity questions. Our response covers key principles and we refer Ofgem to Xoserve's detailed response which WWU supports.

Chapter 2, Question 1: Do you agree that we have accurately described the benefits of improving the switching process?

Ofgem have identified three areas of concern with the current process in gas and electricity:

- **Slow:** It takes around five weeks to switch, which frustrates and confuses customers.
- **Inefficient:** There are separate and different switching processes for gas and electricity involving a range of different parties.
- **Unreliable:** Over 80 per cent of gas switches have taken longer than five weeks, there are high numbers of erroneous transfers in both the gas and electricity markets and in some cases data quality problems mean that the switch is abandoned.

We address each in turn below

Slow

There are a number of changes that have recently been made or are in the process of being implemented to gas systems and it is not clear whether these have been taken into account in making this assessment. Recent work has addressed the length of the process with the following modifications being approved in the last two years:

- 0403-EU Third Package: 21 day switching with flexible objection period" which was implemented into the central systems in November 2013, and
- 0477-Supply Point Registration – Facilitation of faster switching" which is due to be implemented in November 2014.

One impact on the length of the process is the time required to comply with the Customer Contracts (Information, Cancellation and Additional Charges) Regulations and it is not clear how the proposals will address this legal constraint.

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Inefficient

The difference between gas and electricity processes and the parties involved is partly due to historical regulatory design. There are a number of industry parties such as Meter Asset Managers, Meter Asset Providers, Suppliers and Shippers that are impacted by change of supplier. The Xoserve systems are primarily designed to be a register of the shipper with the supplier held for information; these could facilitate a one day update to the supplier identity; however this would result in a misalignment of supplier and shipper which seems likely to have undesirable impacts (see our answer to Chapter 3 question 3). Current processes have been designed to facilitate the coordinated change of all industry agents. We note that the introduction of metering competition added significant extra complexity to the change of supplier process.

Unreliable

There is also ongoing work in the gas industry to look at data quality issues which impact on the reliability of the switching process. Introducing faster switching will not address this issue.

Chapter 3, Question 1: Do you agree with our impact assessment on next day, two-day and five-day switching based on either a new centralized registration service operated by the DCC or enhancing existing network run switching services?

The impact assessments seem to be based on existing transporter systems without reference to the ongoing UK Link Programme (Project Nexus) which will introduce new systems in 2015. We recognize that these systems have not been implemented and therefore it is difficult to assess the implications of changes; however this does cast doubt on the relevance of the impact assessments to gas.

A key concern for WWU is our ability to accurately invoice shippers for transportation services. As described above current process allows for a coordinated change of all industry agents and any change that caused this link between supplier and shipper to be broken could add risk of disputes over invoices which would impose costs on both transporters and shippers.

Chapter 3, Question 2: Do you agree with our proposal to implement next-day switching on a new centralized registration service operated by the DCC?

We note that the DCC is not yet operational and therefore has no operational track record. It is reasonable to require demonstration that they can provide their current services before making them responsible for further services. For gas the DCC will hold information relating to Meter Points that have SMETS 2 compliant smart meters and probably SMETS 1 compliant meters. In practice this will include those with domestic sized U6 meters only. The DCC would need to expand its systems and processes to encompass the full range of non-domestic meter points. Depending on the scope of the service it will also need to increase the information it holds.

If a dual agent approach is adopted with the DCC operating the change of supplier process and Xoserve continuing to deal with the rest of the existing processes it will be necessary to put in place robust communication between the two agents, this will add complexity. If the DCC does not also operate the change of shipper process then suppliers may be required to communicate with the DCC for change of supplier and shippers will be required to communicate with Xoserve for the change of shipper. It should be noted that gas transporters use the supplier ID held by Xoserve to invoice Post Emergency Metering Services so this change would impact the provision of the PEMS service.

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The DCC licence, in particular its restriction on borrowing, will determine how the DCC recovers the costs of developing new systems and parties need to understand this impact.

Chapter 3, 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?

It is important for gas balancing purposes that the shipper-supplier relationship is aligned during the switching process. Shippers will be able to comment more fully on this question but WWU would not support a change that added risk to the industry as this may result in increased prices to end users. There may also be an increase in disputes over shipper invoices as described in our answer to Chapter 3 question 1.

Chapter 5, Question 1: Do you agree with the implementation principles that we have identified?

The implementation principles identified appear to ensure that the consumer experience remains the key focus using the experience of industry to ensure success. We agree with this approach to the project and note that this does not require identical processes across gas and electricity where these do not directly affect the customer experience.

Chapter 5, 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 centralized registration)?

We agree with the high level risks identified. Competing industry priorities is a key risk, coordinating system and process changes across several projects is challenging and will need careful management to mitigate risks. The DCC also has significant obligations in delivering its Smart Metering systems and post implementation modifications.

Chapter 5, Question 3: Do you agree that we have identified the right implementation stages?

We broadly agree with the implementation stages that would be required if the project was to go ahead. It is important that sufficient time is allowed for thorough end to end testing. Often project timetables slip and testing is compressed to achieve go live dates which then results in post implementation fixes.

We welcome early consideration of the regulatory framework which will need to realign obligations substantially to move responsibilities. There may be differences between the charging provisions of the DCC licence and the GT licence that will result in differences in charges and these need to be identified. Standard Special Condition A15 of the GT licence will need to be amended.

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Chapter 5, 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?

All stakeholders need to be involved in the next phase of the work. The next phase should consider the points made in response to this consultation and whether more robust analysis is required to determine whether or not the change is beneficial.

Chapter 5, Question 5: What do you think are the advantages and disadvantages of the DCC being directly involved in the design of the Target Operating Model for the new switching arrangements, and the development of the detailed changes required?

We note the assumption that the DCC is the most appropriate body to fulfill the role of operator of the proposed system even though it has no operational track record. Notwithstanding this comment, all impacted parties should be directly involved in the design of the Target Operating Model so that all consequential impacts are identified at an early stage. This is particularly important for the gas industry as the DCC does not currently have any relationship with gas shippers and while many gas suppliers also have an in house shipping organization this is not true for all. It is important that the best solution is chosen and not that one industry's process is chosen and applied to the other industry. There are considerable differences between the current gas and electricity industry processes and while there is benefit for customers if the front end of the process is the same this does not necessarily mean that all the behind the scenes process need to be the same and it may be appropriate to use some existing systems and processes.

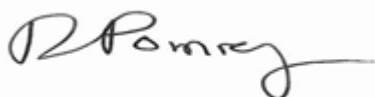
Chapter 5, Question 6: Do you agree that an SCR is the best approach to making the necessary regulatory changes to improve the switching arrangements?

An SCR seems to be the most practical way forward, this will freeze changes to the impacted areas of code.

Chapter 5, Question 7: Do you agree with the proposed implementation timetable? Are there ways to bring forward our target go-live date?

The proposed timetable appears to provide suitable time for the changes to be made but we refer Ofgem to the more detailed comments in Xoserve's response. We also reiterate the need to ensure that testing is robust to avoid the need for post implementation manual processes and code fixes. There are a number of changes that are currently in progress and it is important that current projects are completed before this project is started to minimize risk.

Yours Sincerely,



Richard Pomroy
Commercial Manager
Wales & West Utilities

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