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Dear Angelita,

Moving to reliable next-day switching: Consultation on a target operating model

National Grid welcomes the opportunity to respond to this consultation and comment upon Ofgem's target operating model (TOM) for reliable next-day switching using a new Centralised Registration Service (CRS). This response is made on a non-confidential basis on behalf of National Grid Gas Distribution (NGGD).

National Grid supports the aims of the work Ofgem is leading on to improve the switching process and increase consumer engagement, participation and activity within the energy market in Great Britain. We also recognise that the roll-out of Smart meters, and the associated industry processes, presents a logical opportunity to consider the centralisation of gas and electricity registration services for energy suppliers.

We note that the proposals for the TOM appear to go much further than originally anticipated¹, specifically with regard to settlement and balancing as well as transportation billing services to be delivered through the inclusion of further DCC obligations. As these services are already provided in a centralised way for the gas industry by Xoserve this creates uncertainty of how their existing role would transition under the proposed TOM.

As you are aware, significant investment has been made in the systems underpinning the central settlement and balancing systems of gas industry data and significant expertise and skills are vested with the Xoserve organisation in managing and operating these services. It will be important to understand how any transition to the TOM would be undertaken so as to ensure the customer investments in these skills and systems are best used in any new arrangement and that existing services continue to be delivered successfully through any transition.

In addition, the industry is already developing proposals to implement changes to the funding, governance and ownership (FGO) arrangements for Xoserve, creating a new Central Data Services Provider (CDSP) framework. It needs to be fully understood, and it is not currently clear, whether the outputs of FGO are considered a stepping stone towards the DCC becoming the CRS or if they will in fact make delivering the CRS TOM more difficult and require significant unpicking. For example, the specification under the FGO for different shipper and transporter obligations, the new Board arrangements and a proposed not for profit status of Xoserve appears different to the proposed TOM for the DCC CRS which would be a for profit organisation and in control of appointing service providers to provide what might be shipper or transporter licence obligations.

¹ As detailed in Ofgem's [moving to reliable next day switching](#) consultation published in June 2014

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As the DCC CRS TOM is further explored then the industry needs to work with Ofgem to fully consider how we ensure any transition will work and more urgently to assess the linkages between the FGO and DCC proposals such that we minimise any costs that will ultimately be borne by customers

In light of the above, we would suggest it would be prudent to for Ofgem to explore these linkages through the FGO Project Overview Board in the next month to ensure the target operating model for the FGO can be assessed to ensure that there is no risk of stranded costs to consumers.

We also note that Ofgem expects to develop the DCC CRS TOM within the same timeframe as the industry is already heavily engaged in major change programmes including those already mentioned and it should therefore seek views from industry on relative priorities and capacity to support the proposed changes. National Grid has consistently highlighted the issue of industry congestion and this further layer of uncertainty, particularly surrounding the developing role of Xoserve, brings increasing concerns over the provision of GTs existing obligations let alone the efficient delivery of future ones.

In summary, whilst centralised registration, settlement, balancing and invoicing may help deliver faster and more reliable switching, we are concerned that it has not been articulated how the proposals relate to existing change programmes, how they will impact the role of Xoserve and whether implementing a new CDSP, through FGO, in the light of such fundamental reform as envisaged by the DCC CRS TOM is the most effective use of industry resources and customers money.

As Ofgem continue their review of the DCC TOM we look forward to the opportunity for further involvement in the development of the industry framework to facilitate the transition to reliable next-day switching. In the meantime, we would be happy to discuss and expand upon any of the points made within this response. If you would like to discuss our response further please contact me.

Yours sincerely,

[By email]

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