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10th April 2015

WWU response to Ofgem consultation Next Day Switching Target Operating Model “TOM”

Dear Angela,

Thank you for the opportunity to respond to this consultation. Wales & West Utilities (WWU) transports gas to 2.5 million supply points in Wales and south west England.

We must ensure that industry change is only implemented where there are clear benefits to customers. Our key point is that we believe that the boundary between the CRS and the Xoserve Central Data Service Provider (CDSP) function needs to be made much clearer. We answer the specific questions in the consultation later in this response. In the paragraph below we briefly give some background on other changes that involve Xoserve as we refer to them in the answers to the consultation questions.

Project Nexus will deliver, amongst other changes, improvements to the IGT shipper switching process by bringing it in line with Xoserve's service for shipper switching on large transporter networks. Project Nexus is due to go live on 1st October 2015.

As a result of Ofgem's decision on Xoserve Funding Governance and Operation, Xoserve will become the gas industry's CDSP. There will be changes in the control of Xoserve, the way services are delivered and how they are charged with shippers becoming more directly involved. These changes are due to be implemented by April 2016.

Xoserve provides the following services that are relevant to the discussion of the TOM

- Shipper switching
- Settlements
- Transportation invoicing

We acknowledge that the decision to introduce next day switching has been taken but it should be recognised that moving to three day switching could be achieved much more easily than moving to next day switching and establishing the CRS. We note that if the time required for objections and customer cooling off periods were removed from the process the current Xoserve

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systems, following the implementation of Uniform Network Code modification 0477, could support three day shipper switching.

Question 1 – Do you agree with the requirements set out in the TOM?

We have one general point about the clarity of the scope of the TOM and then two points about the more detailed scope.

Clarity of the scope of the TOM

We believe that the TOM needs to set out more clearly the boundary between the CRS and the CDSP as different paragraphs in the TOM suggest different roles for the CRS and hence for the future roles of Xoserve and the CDSP.

Ofgem's document sets out the scope of the TOM and this includes:

- Changes to the regulatory framework to facilitate a Central Registration Service (CRS) covering all supply points connected to gas and electricity networks with some exceptions

Paragraph 6.02 of the Target Operating Model and Delivery Approach document states:

“Balancing and settlement support. The CRS will hold and provide data to support balancing and settlement. This will include providing the supply point data that a new supplier needs to purchase gas and electricity and meet its balancing and settlement requirements”

This suggests that the CRS will hold and pass on to the CDSP any data that the CRS holds that is required by the CDSP for balancing and settlements but that it will not hold data that is not required for switching. We note that the description ignores charging for transportation services on behalf of gas transporters; it may be that this was regarded as settlement activity.

Paragraph 6.09 states

“The CRS will be the master record for the industry data needed to support the switching process. This will include:

- The master record of all relevant settlement data requirements currently held on MPAS and Xoserve systems”

This is much wider than implied by paragraph 6.02 because it suggests that the CRS will hold all relevant settlement data including that which is not required for customer switching. One example of this data is the customer profile class. This much wider scope for the CRS raises a number of questions including:

- How will the CRS ensure that the data it holds but does not use for switching purposes is accurate?
- Does this mean that the CRS will take over the role of the CDSP either immediately or gradually?

As with paragraph 6.02, paragraph 6.09 ignores transportation invoicing.

Given the ambiguity in the TOM, the roles of the CRS and CDSP need to be very clearly defined as a matter of urgency. Failure to do this raises a number of risks:

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- If some Xoserve systems will become redundant, the current operation and investment in them may need to be managed differently.
- The uncertainty over the future role of Xoserve may result in key employees leaving, removing key expertise from Xoserve at a time of significant change both for Project Nexus and the Xoserve FGO delivery.
- If the CRS is taking over some Xoserve functions, some staff may need to transfer between the two organisations and this process needs to be carefully managed.

We also have some comments about two details of the scope.

Excluded sites

The proposal in paragraph 2.05 is to exclude sites directly connected to the gas national transmission system. We suggest that the arguments for excluding these sites apply equally to large and complex sites connected to distribution networks such as power stations. If some sites are to be excluded then the criteria should apply to all such sites, otherwise we will get a situation where a gas power station connected to the NTS is treated differently from a gas power station connected to a distribution network.

We note that the reason for introducing the CRS was to provide one organisation for both gas and electricity switching. This removes the need for suppliers to deal with one organisation for gas and another for electricity. The proposal to exclude NTS directly connected sites from the CRS recreates this problem in a different guise as a supplier will still need to deal with two different organisations. It may also be the case that a site is directly connected to the transmission system for one energy source but connected to the distribution system for the other.

Gas metering data

Paragraph 4.18 states that the CRS will become the master repository and source for metering equipment, site data and other metering data currently held by the registration service. Clarity is needed as to whether this will extend to recording data on Priority Service Register customers, passwords, the identity of the MAM and MAP, Gas Act Owner and details of attached automated meter reading equipment, such as dataloggers.

Question 2 – Is our description of the requirements sufficiently comprehensive to progress the design of our reforms during the next phase of the programme?

No, the description is not sufficiently detailed, our answer to question 1 demonstrates that there is not sufficient clarity of the boundary between the CRS and CDSP. We are also concerned that the introduction of the CRS will cut across work being done to deliver the Ofgem decision on Xoserve Funding Governance and Operation and also Project Nexus.

Boundary between CRS and CDSP

In electricity our understanding is that settlements are managed by Elexon and supplier switching is managed by the individual DNOs. The proposal is to have one central switching body, the CRS, which will take over the switching roles done by the DNOs in electricity and

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Xoserve in gas. This logically will leave gas settlements and invoicing with Xoserve for gas. We suggest that a further level of work is required to identify what functions will remain with Xoserve. This work is important but it must recognise that Xoserve, gas shippers and gas transporters are working towards Project Nexus go live on 1st October 2015 and that this has to be the priority ahead of any detailed work for the Next Day Switching project.

Xoserve FGO

Ofgem has also required the gas industry to deliver the requirements of the decision on Xoserve Funding Governance and Operation by April 2016. The driver for this change was a wish by shippers to have more influence over the operation of Xoserve. The proposal in the TOM is that many of the current Xoserve functions that relate directly to customers will be being moved to the CRS. We suggest that :

- 1) That Ofgem should consider whether the decisions of the Xoserve Funding Governance and Operation review should be applied to the CRS.
- 2) Whether the proposed move to the CRS means that the work to implement the Xoserve FGO decision should be reviewed or ceased because the FGO work seems likely to require changes to the Uniform Network Code that may need to be substantially reworked to facilitate the introduction of the CRS.

Ofgem's decision on Xoserve FGO considered a number of options such as whether Xoserve should be a licensed entity and how it should be funded. We note that the arrangements for DCC differ in a number of aspects from those deemed appropriate for Xoserve as CDSP. It may be that the considerations of electricity governance or the fact that the settlements process seems likely to remain with Xoserve justify the change in view; nevertheless we think that an explanation should be provided in the interests of transparent governance. We summarise the key points in the table below.

	Xoerve FGO decision	DCC
Ownership	GTs	Non industry party
Control	Shared by transporters and shippers	Controlled by shareholders
Licensed	Not required to be licensed	Licensed
Funding	Funded by users of services. (Currently funded as ex-ante part of GT's price control)	Subject to price control which is likely to be reviewed to reintroduce ex-ante price control (paragraph 10.03)
Profit	CDSP to be not for profit	Allowed to make a profit
Charges	Sets charges in line with charging statement	Sets charges in line with charging statement
Budget setting	Parties can appeal budget to Ofgem	
Borrowing	Can borrow money to fund investment	Cannot borrow money resulting in short payment periods and prices are likely to be volatile
Charging	To be decided. (Currently charged through GT transportation charges with 12 calendar days payment timescales)	Fixed and Explicit charges. 5 day payment timescales

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Project Nexus

Project Nexus will bring the IGT change of shipper process into the same process as used for large transporter change of shipper. It is disappointing that the work done to deliver this change seems likely to be rendered redundant as this activity will move to the CRS in 2018. The costs of these changes will still need to be recovered from customers whether or not the new systems are discarded after two years.

Question 3 – Are there any additional requirements that should be captured in the TOM?

We note the decision is for the DCC licence to require it to procure the CRS service by a competitive procurement event. We hope that this process will include a process of setting out and justifying the requirements for the CRS before the procurement event commences. We note that the DCC's current programmes relating to smart metering are both over budget and behind schedule. We encourage Ofgem to ensure that these failings are not repeated in the CRS procurement and that any delay to the commencement of the CRS does not result in the costs of delay being borne by gas and electricity distribution customers.

Yours sincerely



Steve Edwards
Head of Regulation
Wales & West Utilities

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