

# External Design Advisory Group

Meeting 1

14 January 2016

ofgem

Welcome and introductions	10:00 to 10:10
Introduction to the Switching Programme	10:10 to 10:30
Ways of working and EDAG ToR	10:30 to 11:00
High level Blueprint Phase plan	11:00 to 11:10
Introduction to workstreams	11:10 to 12:30
<b>LUNCH</b>	
Design Principles	13:00 to 13:30
Future EDAG meetings	13:30 to 13:50
Any other business	13:50 to 14:00

# **INTRODUCTION TO THE SWITCHING PROGRAMME**

*A large number of consumers have never switched and many consider switching to be a hassle they do not have time for*

- 43% of customers say they have never switched supplier
- Consumers perceive switching energy supplier as hassle and the fear of something going wrong during the process is off-putting for many
- Studies have found that reducing anticipated switching times is likely to increase consumer engagement

**If more consumers switch this will strengthen competition leading to innovation, better service and pressure on prices**

# Switching Programme objective

*The objective of the Switching Programme is to improve customers' experience of switching, leading to greater engagement in the retail energy market*

- We want to achieve this by designing and implementing a CRS and a new switching process that is reliable, fast and cost-effective
- We expect that this will build consumer confidence and facilitate competition, delivering better outcomes for consumers
- Our aim is to introduce new arrangements by 2019

**To meet this objective we need to work with stakeholders from across industry**

# Switching Programme scope

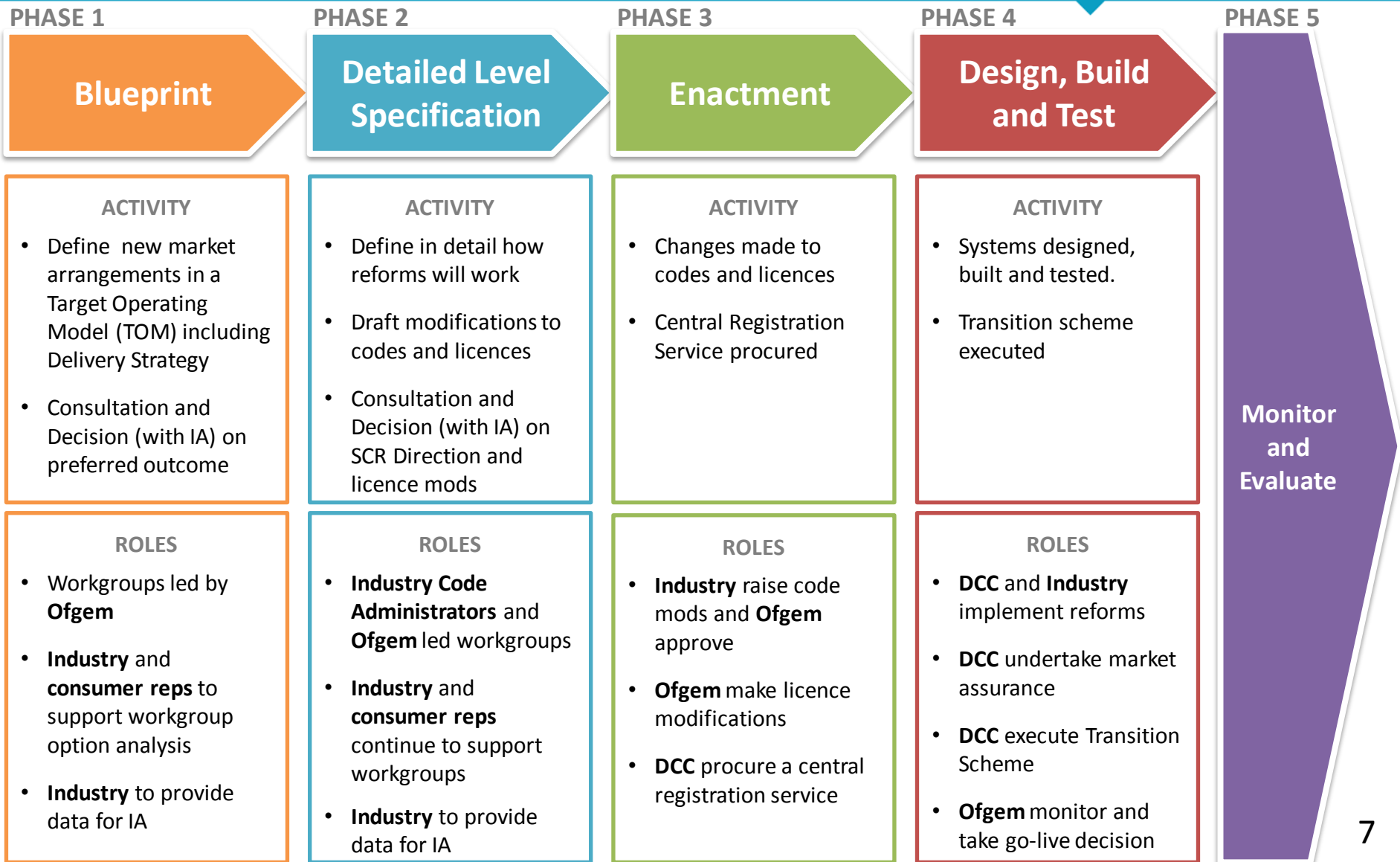
## *In scope*

- All parts of the switching process from the point when a consumer enters into a contract with a new supplier, until they have received a closing bill from their old supplier and an opening bill from their new supplier or have exercised any right to cool-off, cancel the contract and return to the previous supplier
- Reform the switching process for all domestic and non-domestic customers (unless specified)
- Harmonising the gas and electricity processes
- Developing the CRS
- Changes to regulatory framework
- Define and identify a transition and implementation scheme
- Implementing the CRS and all relevant industry parties
- Consumer awareness campaign

## *Out of scope*

- Customer acquisition activities eg marketing
- How suppliers bill customers
- Developing enduring security key arrangements
- Transmission connected customers
- Ofgem's review of objections
- Ofgem's Priority Services Register review
- Industry code consolidation
- Centralising electricity Data Processing and Data Aggregation

# Switching Programme phases



# Blueprint phase industry workgroups

## PHASE 1

### Blueprint

#### ACTIVITY

- Define new market arrangements in a Target Operating Model (TOM) including Delivery Strategy
- Consultation and Decision (with IA) on preferred outcome

#### ROLES

- Workgroups led by **Ofgem**
- **Industry and consumer reps** to support workgroup option analysis
- **Industry** to provide data for IA

#### External design advisory group (EDAG)

- Scrutinise and challenge proposals coming out of the workgroups
- Advise and make recommendations to Ofgem's Design Authority

#### Business Process Design WG

- Design the CRS
- How the switching process will work in practice
- Data that should be held on CRS and who should maintain/ access it
- Support for settlement, charging, connections etc

#### Commercial WG

- Framework for DCC procuring and operating the CRS
- DCC's price control
- Proposals for how CRS will be procured and funded, and how current network arrangements will be amended
- CRS charging principles

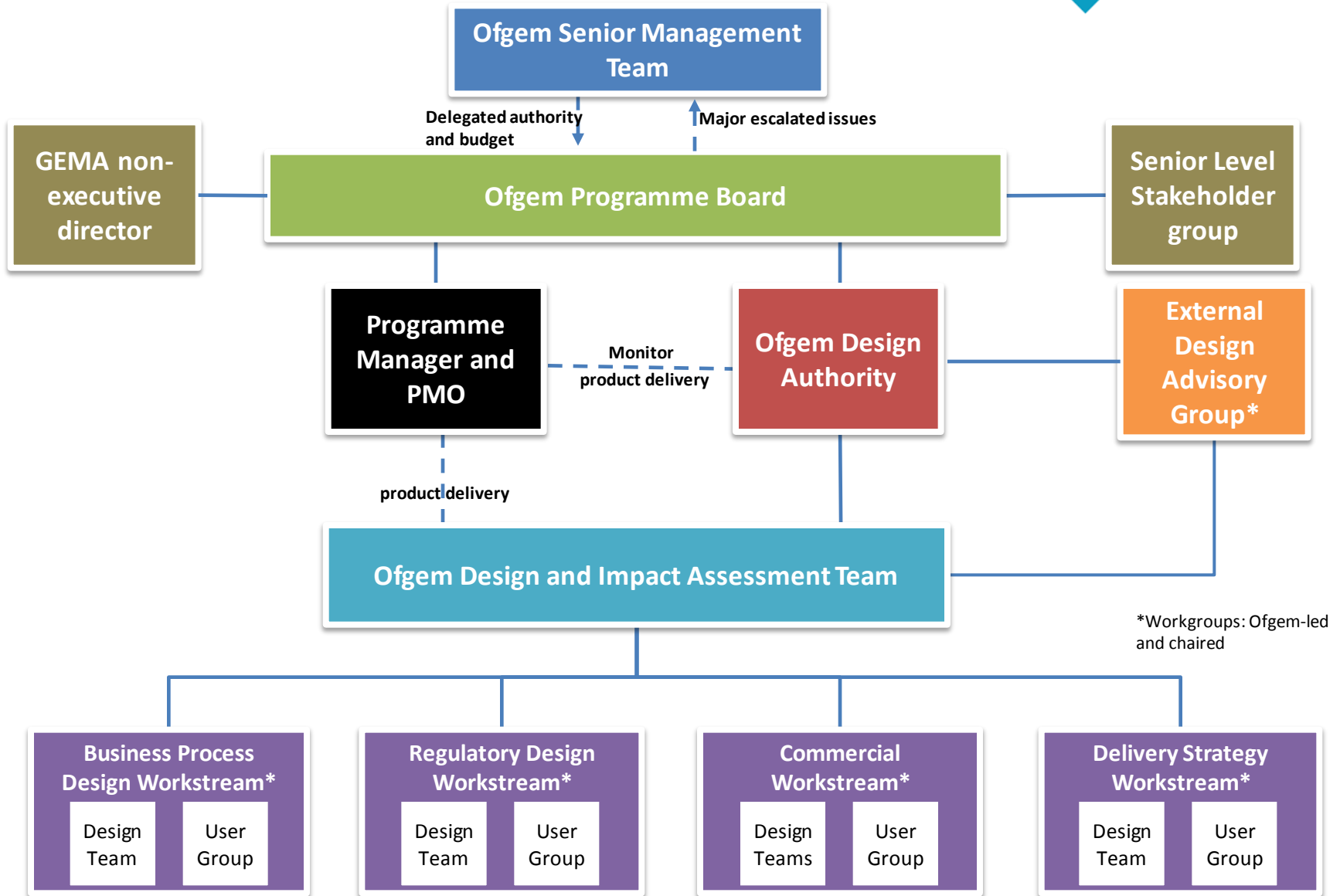
#### Regulatory Design WG

- How governance for the new arrangements will operate
- Licence changes for parties to sign up to the SEC
- Changes to the SEC and other industry codes

#### Delivery Strategy WG

- Transition, testing and implementation
- How licence and code changes will be choreographed, data migrated etc
- CRS and Market readiness testing
- Transition, data migration and implementation technique





1. Published documents in November
  - Updated Target Operating Model
  - SCR Launch statement
  - draft ToR for workgroups
  - Stat Con on DCC obligations and funding for transition

2. Received >70 expressions of interest in attending workgroups

3. Held the first Senior Stakeholder Group on 23 November

4. Held 10 Business Process Design Team meetings, 2 Delivery Strategy Design Team meetings and 2 Regulatory Design Team meetings

# **EDAG TERMS OF REFERENCE AND WORKING PRACTICES**

# EDAG role and requirements

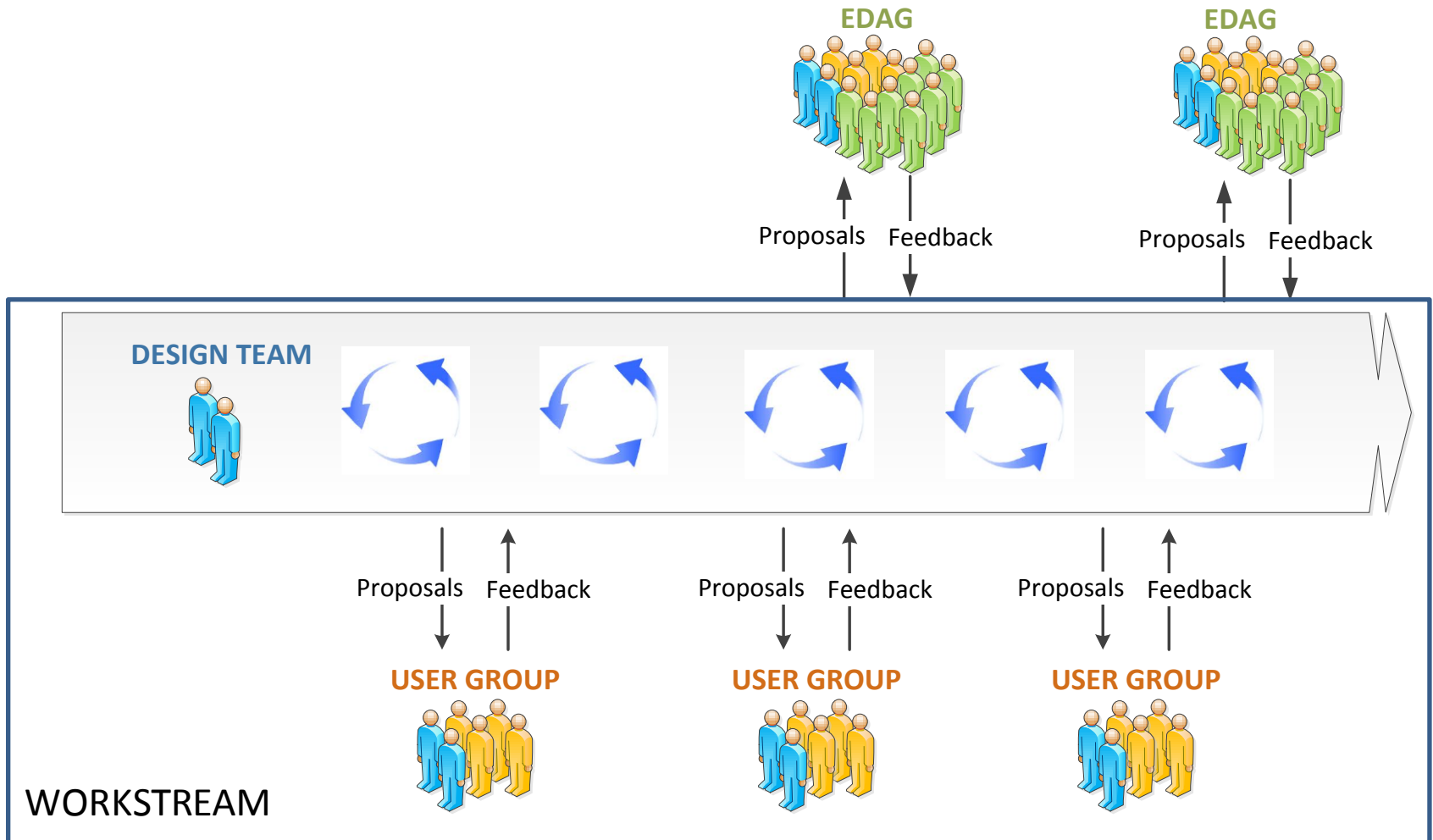
**EDAG objective:** *“provide expert advice into the overall design baseline, identify links and dependencies and provide strategic direction across all workstreams”*

## Scope and deliverables

- Provide strategic assessment across workstreams including reviewing design principles, workstream work plans and ways of working
- Review and provide guidance on products, deliverables and issues submitted by the Blueprint Workstreams
- Assess proposals prior to submission to the Ofgem Design Authority and provide guidance and recommendations to the Ofgem EDAG Chair on these proposals (not a decision making body)
- Provide advice to the Design Authority when requested
- Provide advice to the Switching Programme on its approach to assessing reform impacts
- Identify and flag any risks, issues and dependencies that should be addressed by the Blueprint Workstreams or the Programme Board, as appropriate

Any assessment and advice provided by EDAG should be given in the context of the overall Switching Programme objective, the Switching Programme Design Principles, the TOM and any other relevant legislation

# EDAG will review products/issues from Workstreams and make recommendations



## How the EDAG will operate

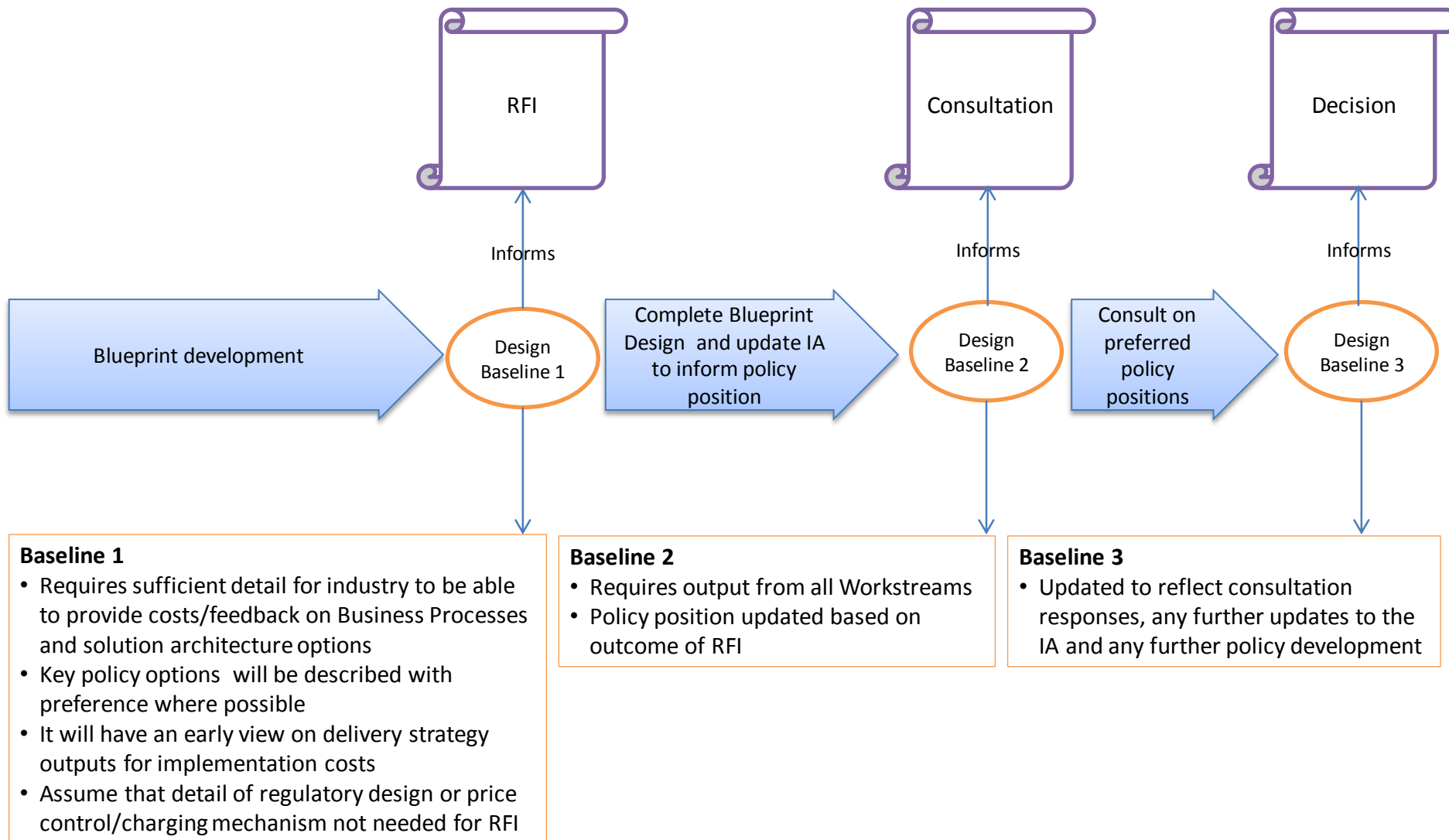
- Ofgem chaired, monthly, invitation only meeting
- Published membership
- A work plan for EDAG will be developed with Workstream Leads
- Discussion and information papers to be sent to EDAG prior to the meeting
- Minutes and papers to be published on Ofgem website (subject to confidentiality considerations)
- Senior level group of experienced policy, service design members with strategic understanding of the workstream areas
- Members (or affiliates) that wish to participate in any potential associated tender exercises should declare this to the Ofgem Chair

**Welcome any comments on the draft Terms or Reference**

[https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/tor\\_-\\_edag\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/tor_-_edag_0.pdf)

# **INTRODUCTION TO THE BLUEPRINT PHASE AND WORKSTREAMS**

# High level Blueprint Phase plan





### OBJECTIVES

*To develop, assess and document:*

- *The business processes to support the functional (what is done) and non-functional (how it is done) requirements of the new switching arrangements, including a new Central Registration Service,*
- *The responsibilities for delivering and operating each component of the new switching arrangements and the changes to existing systems and processes required to accommodate the new arrangements.*

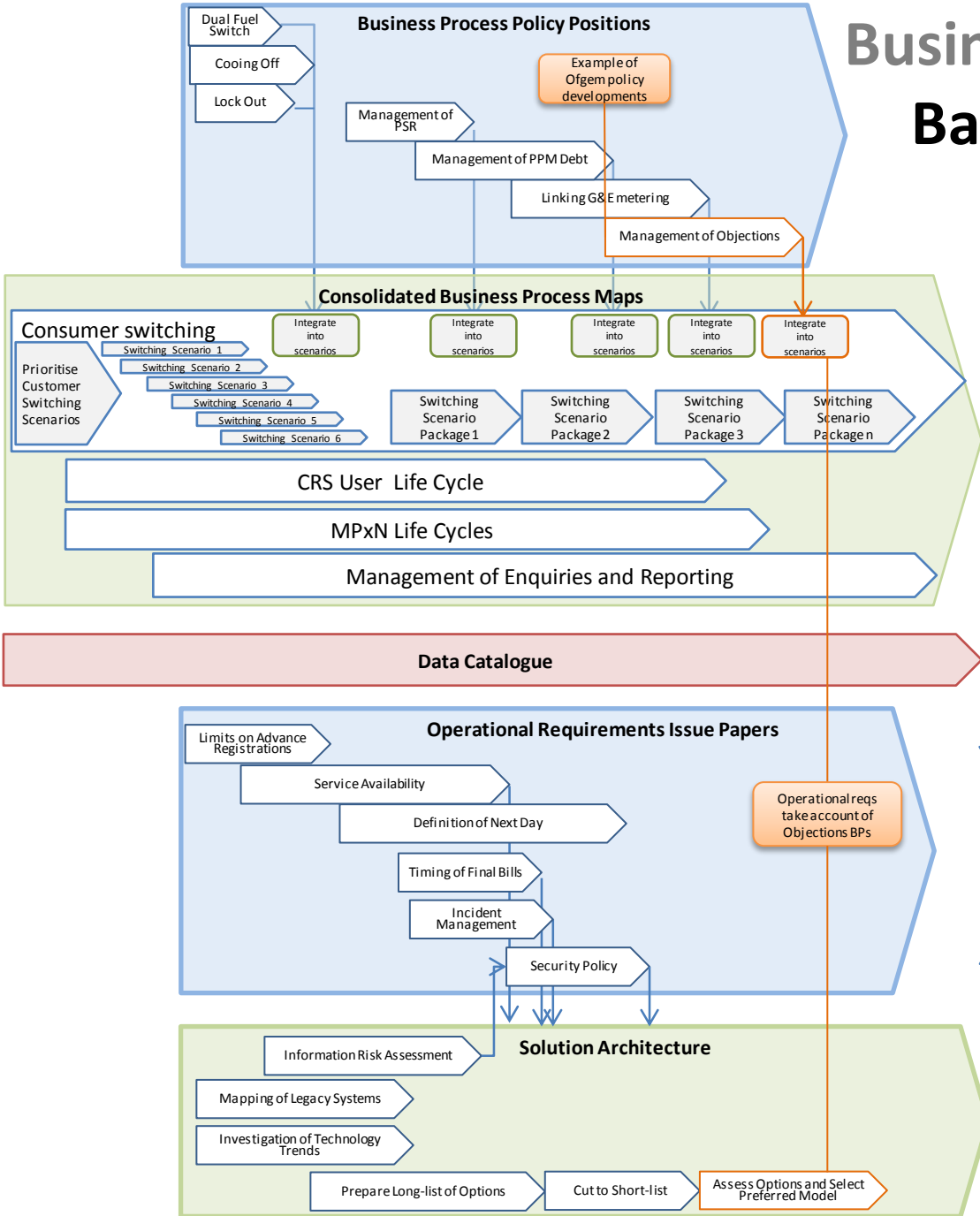
### WORK AREAS

- Meter Point Life Cycle: The creation, maintenance and 'death' of a meter point.
- Customer Switching: Process from consumer decision to switch suppliers through to execution and completion of switch
- User/Party Life Cycle: Granting User access and use of data held by the Central registration Service.
- Enquiries and Reporting: The arrangements to support User enquiries and necessary reporting to support performance and regulatory duties.



# Business Process Design WS

## Baseline 1 high-level plan



- Customer Switching Scenarios**
1. Domestic, Dual fuel, SMETS 2 DD
  2. SMETS 2 PPM Credit
  3. Traditional Domestic, Dual fuel, DD
  4. Traditional Domestic, PPM, Credit
  5. Non-domestic Gas DM
  6. Non-domestic Electricity mandatory HH

**Develop switching scenarios for RFI**

Design baseline 1

## Objective

*We will develop recommendations for how the new switching arrangements and associated changes to industry parties' systems, will be implemented*

### In scope

Transition strategy

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Governance implementation strategy

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Assurance strategy

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Data cleanse and migration approach

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Testing strategy

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Post-implementation strategy

### Out of scope

Delivering the high-level and detailed industry-wide plan for the implementation phase

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Setting up any new bodies outlined in the governance and assurance approach

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Procuring any services outlined in the governance and assurance approach

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Undertaking consumer awareness campaign

### Methodology

For each work package we will be developing a list of options to weigh up against the design principles, guided where possible by experiences of previous large scale industry systems delivery

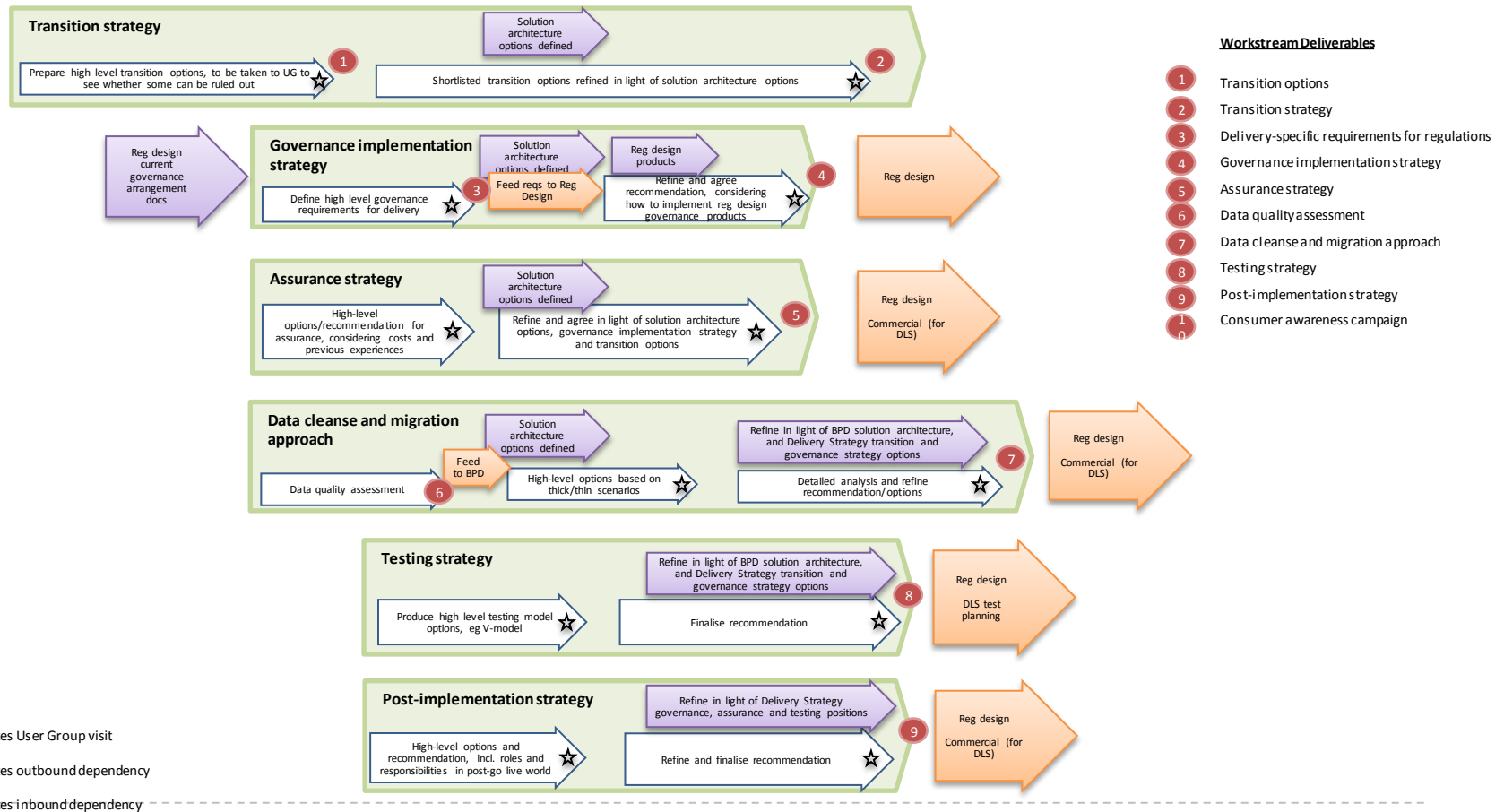
Our intention is to use the User Groups to refine options, and to utilise the EDAG to critique recommendations/shortlisted options and to suggest further analysis or solution development as necessary

### Progress to date

- Initial workstream planning complete
- 3 Design Team meetings held to date
- Work packages have been allocated to Design Team and work commencing across each area
- First User Group to be held 3<sup>rd</sup> Feb – introductory session and narrowing down long-list of transition options

# Delivery Strategy Workstream

## High-level plan



**Workstream objective:** *“In the Blueprint Phase, to develop proposals for how the new Central Registration Service (CRS) run by the DCC will be procured, funded and charged for”*

### Scope and deliverables

1. Procurement of the CRS
  - How the CRS will be procured and contracts established, designed (including contract length), agreed and entered into with CRS provider(s) (CRSP(s))
2. Price control arrangements for the CRS
  - Design of CRS price controls for Design Build and Test Phase and Live Operation
  - Review price control arrangements for CRS procurement
3. Charging arrangements for the CRS
  - The methodology for determining CRS charges that DCC users pay, and required credit arrangements
  - Governance arrangements for the CRS' charging arrangements
  - Covers Design, Build and Test and Live Operation phases of the programme

# Commercial Workstream

## Methodology and progress to date

### Methodology

- An Ofgem Design Team will lead development of the price control and charging arrangements (calling on SMEs)
- A DCC Design Team will lead development of the procurement approach
- Proposals will be tested with User Group and EDAG
- Ofgem Design Authority or Switching Programme Board approval envisaged for most products

#### Developing price control arrangements will involve:

- For procurement, testing cost allowances and any incentive values proposed for procurement
- For DBT, and live operational
  - scoping the activities DCC would engage in, desired outputs/outcomes, and drivers of costs and uncertainty
  - Developing a framework for the design (including uncertainty mechanisms and delivery incentives) (*for DBT, and live operational*)
  - A business plan submitted by DCC for any ex-ante arrangements we propose to direct
  - Ofgem public consultation on framework design
- Bilateral engagement with DCC to develop plans

#### Developing procurement products will involve:

- DCC leading development of procurement products
- Ofgem, User Group and EDAG to scrutinise

#### Developing charging methodology products will involve:

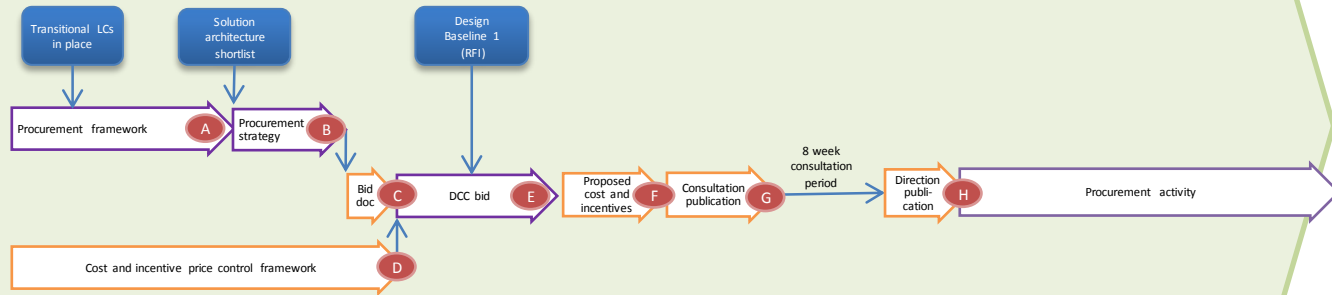
- For DBT, and live operational
  - Developing charging objectives
  - Scoping the types of services DCC will be required to offer, the types and drivers of cost and demand
  - Ofgem public consultation on framework design for charging service users

### Progress to date

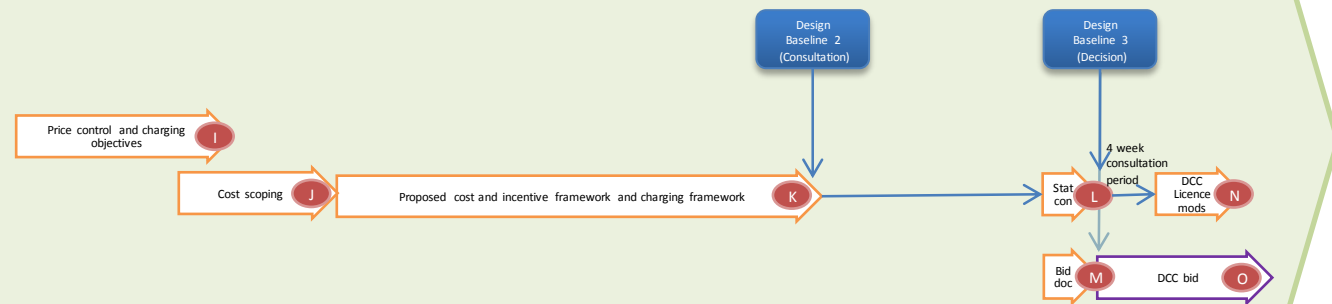
- Statutory consultation on modifying DCC licence published on 22 Dec 15 (responses due 22 Jan)
  - Sets requirements on DCC during the transitional phase and funds DCC's preparatory work for the CRS (up to point of contracting with the provider)
  - Facilitates procurement price control product development
- Developed high-level plan (next slide)
- Engaging with DCC on developing the plan for price control and procurement products
- User Group membership confirmed - meetings expected to begin in February



## Procurement\*



## DBT, and live operation\*



\* These timetables have been developed on the basis of an ex ante price control approach. This is subject to a current consultation for procurement costs and to further workstream discussion for DBT and live operation and may therefore be subject to change.

## OBJECTIVES

*Design, assess and document governance arrangements, including licence and industry code provisions, that underpin:*

- *the functional and non-functional requirements of the Central Registration Service (CRS); and*
- *fast and reliable next-day switching arrangements that would operate on the CRS.*

## WORK AREAS & PRODUCTS

- Statutory requirements: Identify prevailing obligations relating to or discharged by central registration systems – particularly those outside Ofgem’s power to modify
- Roles and responsibilities: Changes to the regulatory (and commercial) framework that will be necessitated by these proposals
- Governance framework: Establish requirements of the new regime
- Business Rules: Ensure all inter-dependencies of new business processes are captured and responsibility assigned
- Gap analysis: Ensure the governance model meets all needs of the new arrangements

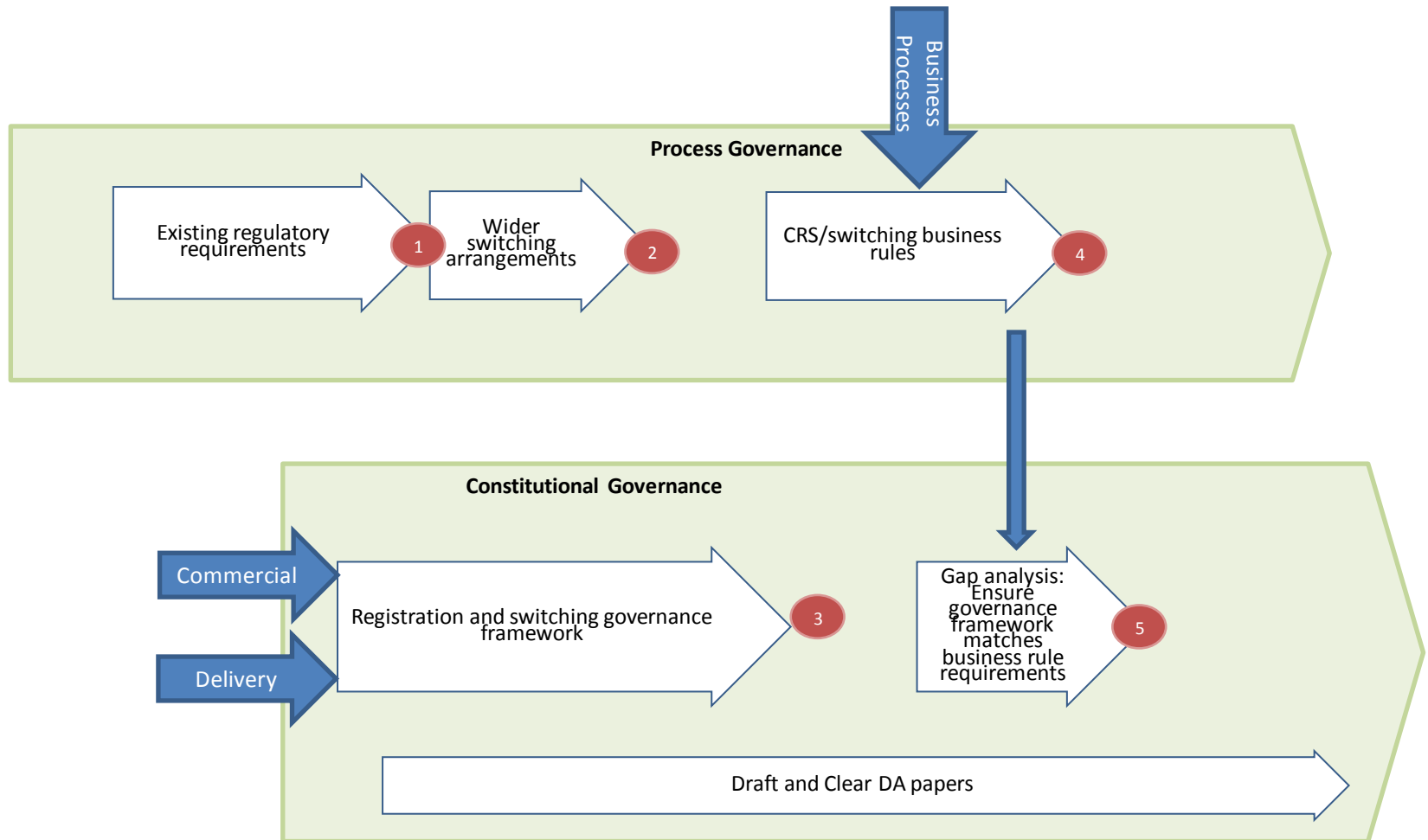
### Methodology

The Regulatory work stream will be heavily dependent and seek to build upon the output of the Business Process work stream, but will also seek to inform that group of prevailing regulatory requirements or other constraints on its proposed model(s).

In addition to the high level design principles, we will test proposals against principles of good governance and have regard to development of Principles Based Regulation, etc. Our intention is to use the User Groups to refine options and provide an initial sense check of proposed solutions, before escalating to EDAG to critique recommendations and ensure consistency of output with other work streams and/or wider developments.

### Progress to date

- Initial work stream planning complete, but contingent upon progress elsewhere
- 2 Design team meetings to date and initial work packages allocated
- 1<sup>st</sup> User Group to be held 1 Feb:
  - Introduction
  - Review of methodology
  - Request for input into issues, scope of external dependencies and review work to date



- Draft terms of reference published in November
- Welcome EDAG's views on these
- Propose to finalise following discussion with each User Group

Business Process Design Workstream TOR	<a href="#">here</a>
Regulatory Design Workstream TOR	<a href="#">here</a>
Commercial Workstream TOR	<a href="#">here</a>
Delivery Strategy Workstream TOR	<a href="#">here</a>

# DESIGN PRINCIPLES

- “A guide for the Blueprint Workstreams, EDAG, the Design Authority and the Programme Board in their roles of developing, reviewing and approving the content of the Design Baselines during the Blueprint Phase”
- Support Switching Programme until at least Design Build and Test Phase (but reviewed at start of each Phase)
- Welcome EDAG views on draft principles
- Next steps:
  - Submit to Switching Programme Board for approval
  - Publish

# FUTURE EDAG MEETINGS



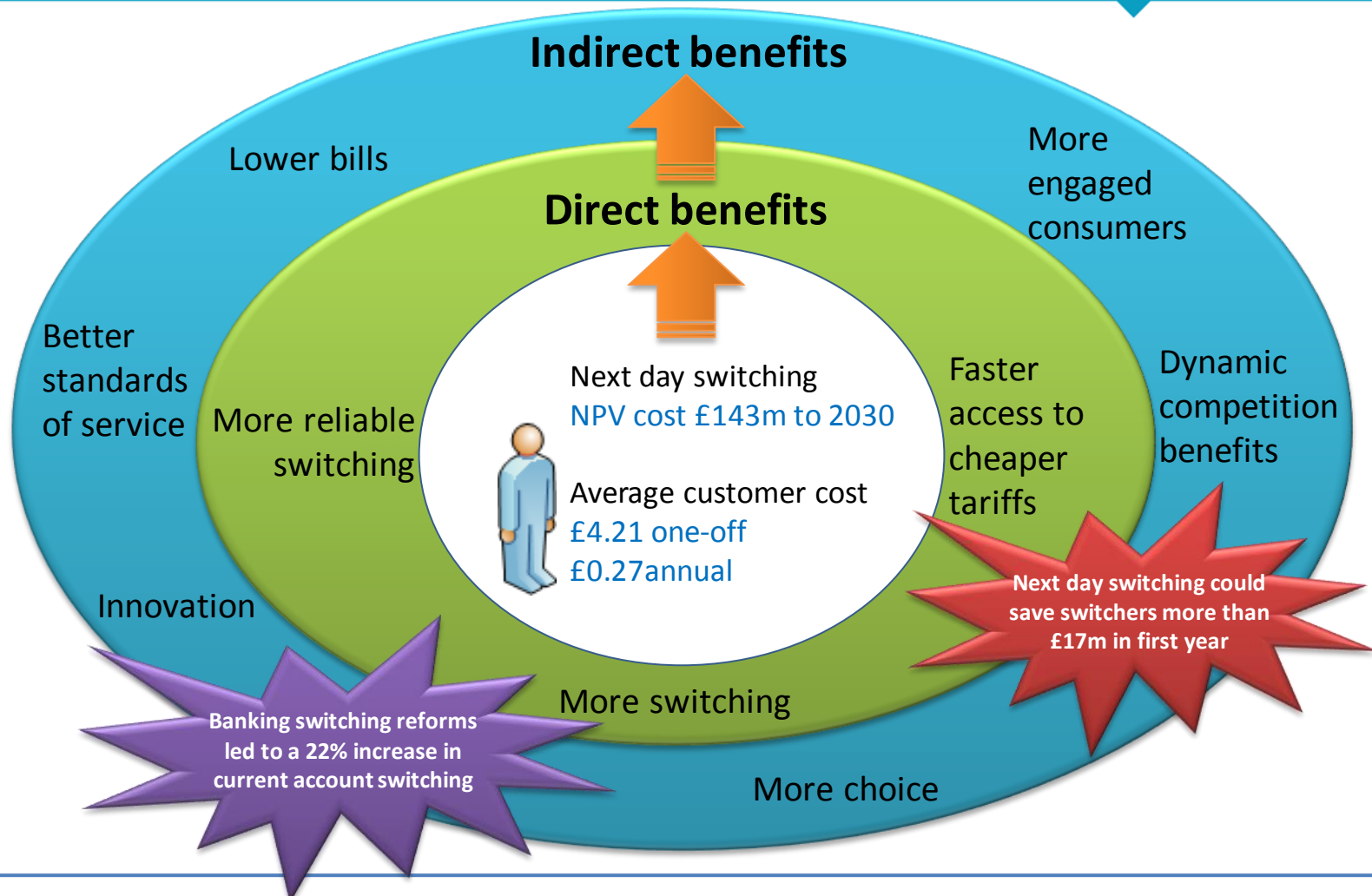
- Next EDAG meeting – 11 February
- Draft agenda
  - Updated plan
  - Finalise EDAG TOR
  - Review updated Design Principles
  - Highlight report from Blueprint Workstreams
  - Scenario 1 switching case (Level 1 to 3) – Business Process Design WS
  - Dual fuel switching policy paper – Business Process Design WS
  - Long list of delivery transition options - Delivery Strategy WS
- Further EDAG meeting scheduled for 15 March
- We will develop a more detailed plan of work for EDAG to help members understand the expected requirements

**We would welcome your thoughts on this first EDAG meeting**

[switchingprogramme@ofgem.gov.uk](mailto:switchingprogramme@ofgem.gov.uk)

# ANNEX

# Reform costs are small compared to the potential benefits



**Benefits outweigh costs if we achieve just 30,000 new switches each year –  
less than 2% of current switching volumes**