

Switching Programme – Blueprint phase

Commercial Workstream: Draft Terms of Reference (for review by User Group)

1. Objective of the Switching Programme

- 1.1. Our objective is to: “improve customers' experience of switching, leading to greater engagement in the retail energy market by designing and implementing a new switching process that is reliable, fast and cost-effective. In turn this will build consumer confidence and facilitate competition, delivering better outcomes for consumers”. Our ambition is for next-day switching.
- 1.2. The aim of the Blueprint phase is to define a new set of switching arrangements that will achieve the programme’s objective. These arrangements will cover proposals for a Centralised Registration Service (CRS) and changes to existing industry-wide arrangements. In order to develop a Blueprint for the new arrangements we must consider the implications of a large number of inter-related policy and implementation-related issues and optimise the solution such that it is comprehensive and has integrity. The Blueprint will set out the proposed arrangements, supported by an Impact Assessment, together with analysis of the options that were considered and the rationale for the selected approach. The Blueprint will be published for formal consultation and the Blueprint phase will conclude with publication of a decision document which addresses the views of respondents.
- 1.3. The Blueprint phase is being delivered through four workstreams: Business Process Design, Regulation, Delivery Strategy and Commercial. It will be followed by three further phases of work covering: Detailed Level Specification, Enactment (including procurement of the CRS) and Design, Build and Test.

2. Objective of the Commercial Workstream

- 2.1. The objective of the Commercial Workstream (CWS) in the Blueprint Phase is to develop proposals for how the new Central Registration Service (CRS)¹ run by the DCC will be charged for, funded and procured.

3. Scope and deliverables for CWS

- 3.1. In meeting its objectives the CWS will develop proposals for:

Charging arrangements for the Design, Build and Test Phase, and live operation of the CRS

- The charging methodology for determining the charges that DCC users pay for its services, and the necessary credit arrangements
- Governance arrangements for the CRS’ charging arrangements.

¹ CRS is used in this document to cover a range of services that will be procured by DCC to support the new registration and switching arrangements.

Price control arrangements for the CRS

- Developing a structure and principles for the Business Case DCC will produce for its activities, margin allowance and delivery incentives up to the end of the Enactment Phase (the ‘transitional phase’)²
- Providing views on particular aspects of the content of DCC’s Business Case and Ofgem’s margin allowance and incentive directions for the transitional phase.
- Developing a price control framework for DCC’s provision of the CRS for the Design, Build and Test Phase and live operation (including margin allowance, any uncertainty mechanisms and delivery or operational incentives).

CRS procurement

- Developing a framework for the CRS procurement including principles, and possible approaches (“Switching Procurement Framework”)
- Developing a detailed plan for how the CRS will be procured and contracts established, designed (including contract length), agreed and entered into with CRS provider(s) (CRSP(s)) (“Switching Procurement Plan”).

3.2. This workstream will not consider the impact on existing network price controls.

4. Structure of the CWS and responsibilities of the CWS lead

4.1. The CWS will be led by Ofgem (the ‘CWS lead’).

4.2. The CWS will include a User Group and two Design Teams. The first Design Team will examine price control arrangements and charging. The second will consider procurement. Each of these work areas will also include an Ofgem Peer Review Group.

4.3. The CWS Lead will:

- Develop the CWS Work Plan and be responsible for delivery against that work plan
- Lead the Design Teams
- Chair the User Group
- Decide when deliverables can be taken to the External Design Advisory Group (EDAG)
- Decide when deliverables and issues can be taken to the Ofgem Switching Programme Board

5. Constitution of the CWS

Constitution and role of the Design Teams

5.1. We expect that membership of the Design Teams will be constituted of representatives from Ofgem and DCC.

² In May 2016 we published our decision to modify DCC’s licence to include requirements and funding arrangements for its Switching Programme work. We set out our decision to operate an ex-post price control arrangement with additional reporting requirements for DCC, such as a Business Case, up until the end of the Enactment phase: <https://www.ofgem.gov.uk/publications-and-updates/decision-dccs-role-developing-centralised-registration-service>. We refer to this price control approach as “ex-post plus”.

- 5.2. The role of the Design Teams is to develop and document a set of proposals that would meet the objective of the CWS. These proposals will be reviewed by the User Group and by EDAG and ultimately approved by Ofgem's Switching Programme Board (with the exception of DCC's Business Case and the Switching Procurement Plan).
- 5.3. The Switching Procurement Framework will inform the Commercial Case of the Switching Programme Business Case and DCC's Business Case for its price control during the transitional phase. The proposals for the Design, Build and Test Phase and live operation price controls and charging arrangements will form part of Design Baseline 2 which, together with the output of the other Blueprint workstreams, will be consulted upon by Ofgem with a decision published at the end of the Blueprint Phase.
- 5.4. On a day-to-day basis, members of the Design Teams will be assigned work packages by the CWS Lead.
- 5.5. Design Team members will:
- Develop and document their allocated work packages with the support and input of other Design Team members and other subject matter experts as appropriate.
 - Present proposals to the User Group for its review when agreed by the CWS Lead.
 - Take into account the views of the User Group and further develop/refine the work package.
 - Agree with the CWS Lead when a work package is sufficiently developed to be sent to EDAG.
 - Present proposals to EDAG for its review.
 - Take into account the views of EDAG and further develop/refine the work package (with User Group as necessary).
 - Agree with the CWS Lead when a work package is sufficiently developed to be sent to the Ofgem Switching Programme Board for approval (or the DCC Board where appropriate).
 - Where necessary, take into account the views of the Ofgem Switching Programme Board (or the DCC Board where appropriate) and further develop/refine the work package (taking into account any further input from the Design Teams, User Group or EDAG) until it has been approved by the Ofgem Switching Programme Board (or the DCC Board where appropriate).
- 5.6. The Design Teams members will provide a dedicated resource that will undertake tasks as requested by the CWS Lead. The CWS Lead will agree the roles and responsibilities with each member of the Design Teams.
- 5.7. During the Blueprint phase, and up to the agreement of Design Baseline 2 by the Ofgem Design Authority, each Design Team is expected to meet (separately) on a weekly basis and spend the remainder of the time developing its allocated work packages.

Constitution and role of the Ofgem Peer Review Groups

- 5.8. Ofgem will invite colleagues within Ofgem who have experience and expertise in procurement and price control/charging to become members of two distinct Ofgem Peer Review Groups.

- 5.9. The role of the Ofgem Peer Review Groups is to act as an internal critical friend to the Ofgem members of the two Design Teams. It will review select products and intermediate outputs, produced by the Design Teams, before they are taken to the User Groups.
- 5.10. The Ofgem Procurement Peer Review Group is expected to perform this role through development of the Switching Procurement Framework product only.

Constitution and role of the User Group

- 5.11. Membership of the User Group will be constituted of representatives from Ofgem, the industry, consumer representatives and other subject matter experts as appropriate.
- 5.12. The role of the User Group is to:
- Review the CWS Work Plan.
 - Review the CWS Terms of Reference.
 - Review work packages presented by the Design Teams.
 - Provide guidance to help develop and finalise the work packages, consistent with the Target Operating Model v2, the Switching Programme Design Principles and the objective of the CWS.
 - Identify links and dependencies between individual work packages and with other parts of the Switching Programme.
 - Identify and propose mitigations for risks and issues.
- 5.13. The User Group will meet approximately every four weeks. The frequency of meetings may change depending on the work requirements.
- 5.14. The CWS Lead will set out the schedule of meetings in advance with a description of the topics that will be covered in those sessions. Where possible, User Group members will attend all meetings to provide consistency. However, this may not be possible for all members. The CWS Lead will therefore attempt to group issues so that User Group members can focus their attendance on the sessions which are most relevant to their expertise.
- 5.15. A named alternate for each member shall be identified to ensure that meetings can take place where members are not able to attend. Alternates shall only attend when the member is not able to attend.

6. Rules of Participation

- 6.1. Participants in the Design Teams and User Group must have the relevant skills and experience to participate in the development of the deliverables set out these Terms of Reference.
- 6.2. Any discussion in meetings and views expressed or implied in such discussion or associated documents are without prejudice to, and shall not limit the discretion of the programme team with regard to decisions made by the Design Authority, the Switching Programme Board and the Gas and Electricity Markets Authority (GEMA). Equally, views expressed by participants during meetings will not be treated as the formal position of the organisation they are representing and will in no way prejudice consultation responses.

- 6.3. It is the responsibility of members to ensure their compliance with competition law while participating within this workstream.
- 6.4. Where a participant (or its affiliate) identifies that it wishes to participate in any competitive tender exercises associated with the switching programme this must be declared as soon as practicable to the CWS Lead. Ofgem will then review whether the participant should continue to participate in the workstream, taking account the views of relevant parties and any mitigating strategies.
- 6.5. The CWS Lead will have the discretion to invite parties to attend any meeting to provide additional expertise and knowledge after consulting workstream members. These invited parties will be subject to Sections 6.4 and 6.5 of these terms of reference.
- 6.6. Membership of the group is at the discretion of the CWS Lead. The seniority, skills and experience of the member should reflect the importance and complexity of the issues being addressed.
- 6.7. CWS Design Team and User Group members shall cease to be a member if they:
- Fail to constructively contribute to the workstream work programme, or
 - There are other circumstances that, in the view of the CWS Lead, would mean that the continued participation of the members would be to the detriment of the achievement of the objective of the workstream.

7. Transparency

- 7.1. The schedule of meeting dates, agendas, minutes and papers for the meetings will be sent to the CWS User Group in a timely manner

8. Administration

- 8.1. Ofgem will provide secretariat support to the CWS.
- 8.2. Meetings will be held at Ofgem's offices at Millbank, London unless otherwise notified.

9. Amending these terms of reference

- 9.1. The terms of reference for the CWS and membership of the Design Teams and User Group may be reviewed at any time by the CWS Lead to ensure that they remain appropriate for the requirements of the Switching Programme.
- 9.2. Members of the CWS Design Teams, User Group and EDAG may request that the CWS Lead undertakes a review of these terms of reference and workstream membership.

10. Background

- 10.1. The Switching Programme has established four workstreams of which the CWS is one. The others are the Regulatory Design Workstream, the Business Process Design Workstream and the Delivery Strategy Workstream. Terms of reference for these workstreams have been published on the Ofgem website.