

## **DRAFT Minutes of the External Design Advisory Group (EDAG) meeting**

### **Meeting 11 – 13 October 2016**

#### **Introduction**

1. Rachel Clark (RC) introduced the meeting and welcomed EDAG members. A list of attendees is available at the end of this document.

#### **Minutes and Actions**

2. Members approved the minutes to EDAG 10 without amendment.
3. RC reviewed the actions from the previous meeting and a summary is provided in the table at the end of these minutes.

#### **DCC Business Case**

4. Aimi Haymen (AH) and Bryn Coles (BC) gave an overview of the DCC Business Case. AH presented a summary of DCC's costs, of which staff costs form a major component. All actual resource costs incurred by DCC will be reported and justified through an annual ex-post plus price control mechanism.
5. Alex Travell (AT) asked whether there was duplication between staff costs (on cost, HR etc.) the overhead. BC stated that any direct HR input into the programme would be counted as a staff costs. Overheads cover any indirect HR support to the programme so there is no double counting.
6. Adam Carden (AC) argued that overheads are also a form of extra margin, 9.5 percent over basecosts. BC responded that any shared HR services, policy or corporate support that the programme benefits from are part of the overheads.
7. In response to a query by Alex Belsham Harris (ABH), BC stated that there is no method for recovering on any potential efficiency gains or savings in overhead costs.
8. In response to a query by Mike Harding (MH), Rachel Clark (RC) stated that there are price controls in place and Ofgem will be scrutinising for economic and efficient use of resources.
9. Justin Andrews (JA) asked whether delays in other programmes DCC was involved in such as the Smart Metering Implementation Programme (SMIP) had been taken into account to avoid any double counting of resources that were allocated to different programmes. BC stated that the DCC team will make use of any spare capacity within the team. As part of this programme,

additional internal controls will be put in place including timesheets. So where there is a resource allocated to both programmes, it will be easier to monitor the time allocation between programmes and charge it accordingly to the two programmes so there is no double counting of resources.

10. MH also asked about the sharing of resources between the Switching Programme and SMIP, whether resources allocated to SMIP will be transferred to the Switching programme. Anthony Lewis (AL) responded that currently DCC is prioritizing SMIP and no resources have been transferred from SMIP to the Switching Programme. External resources have been procured for the Switching Programme.
11. AT highlighted that there were differences between Ofgem's programme plan and DCC's plan and that the two need to be aligned. RC stated that DCC's plan is a bottom up plan and Ofgem's plan is more high level. The two plans need to be aligned and more work needs to be done in jointly developing the plan for the DLS phase on this. As the programme move towards the next phase, some of the underlying assumptions will become clear. The two plans will be aligned ahead of DCC's Business Case being baselined in March 2017 to ensure that both DCC and Ofgem are working towards the same deadlines.
12. BC gave a brief overview of DCC's margin and incentives. On margin, BC stated that DCC is proposing a fixed rate of return of 15% of revenue based on all DCC costs for the transitional phase. AT asked whether the margin was proportionate to the risk and whether the 15 percent risk margin should be treated as an incentive. He said that DCC's responsibilities mainly include finalising specification for procurement and managing procurement which does not seem as risky as the margin level would imply. BC replied that the Switching Programme is a very important programme in the energy sector and there are reputational risks for DCC. He added that there are also some risks around having a margin based on factors beyond DCC's control.
13. Hazel ward (HW) said that the outlined risks for justifying the margin implies that suppliers would be paying for DCC's potential failure and this cost will be passed on to consumers who will end up paying for this.
14. Natasha Sheel (NS) said that there will be a consultation on DCC Business Case in end of November. This will give another chance for industry to scrutinise and provide input. She asked the industry to share any other suitable comparators or benchmarks that could be used to develop and justify DCC's margin before the end of October for incorporation within the consultation. RC stated that Ofgem will use feedback from EDAG to inform its position in the consultation on margin and incentives.
15. In response to a comment by Eric Graham (EG), RC stated that DCC's role covers a number of different responsibilities that include reporting to Ofgem, supporting Ofgem in planning and supporting some of its workstreams. The intention is to incentivise procurement activity. More work still needs to be done on the incentive mechanism and identifying all the activities that relate to procurement. So the currently stated margin on the cost base linked to incentivised

activities of 25% could change. The purpose of the incentive regime is to incentivise behaviours in a way that ensures timely delivery to a high standard.

16. In response to a comment by ABH, RC stated that Ofgem is trying to understand what management reserve covers and holding discussions with DCC on how management reserve should be treated.

### **Transition Strategy**

17. Graeme Barton (GB) gave a brief overview of Transition Strategy. He explained that Transition Strategy is planned to be approved by Design Authority on 27 October, which will allow it to be baselined to be included in Request for Information (RFI) and Design Baseline 1 in early 2017. The Transition Strategy is high-level at this stage, and necessarily follows the development of detail on the solution architecture in the Business Process Design (BPD) work stream. A detailed transition approach will be developed during Detailed Level Specification (DLS) phase, and this detailed approach will be based on the decision made on the solution architecture and other aspects of the reform packages.
18. GB explained that the Transition Strategy makes recommendations for three solution architecture solution options that will be included in Design Baseline 1. However, no transition strategy is required for the 'do nothing' counterfactual option.
- For solution architecture option 1, 'do minimum', a big bang approach is recommended;
  - For solution architecture option 2 with a CRS database; a big bang approach is recommended; and
  - For solution architecture option 3 with CRS and MIS databases, a phased implementation of components of the design is recommended.
19. EDAG members agreed with the recommendations in the Transition Strategy, and one member stated that the transition recommendations were logical.
20. An attendee asked what would happen if a big bang approach is chosen and some parties are not ready, as this is a big risk. RC clarified that it is an important part of Ofgem's work to ensure all industry parties are ready for go-live and parties 'not being ready' is not an option. JC added that Ofgem would be looking into various techniques within the detailed work across the Delivery Strategy in the DLS phase of the programme, including in planning on Governance and Assurance, to minimise that risk.
21. An attendee argued that a 'big bang' is in everyone's interest as it would be more difficult to operate two systems simultaneously. He noted that it is still likely that nobody will be perfectly ready but the problems may be sorted out after 'the big bang'. RC responded that Ofgem's primary concern is to ensure that consumer confidence is not damaged and thus would be cautious to ensure problems are sorted out.

22. An attendee noted that the scope of the new central switching arrangements being developed by the programme may be narrower than the scope of the existing switching systems, and asked how surrounding processes would be maintained. RC clarified that the BPD work stream is looking at the end-to-end change of supply process.
23. GB also explained that GB explained additional controls to de-risk the implementation will be considered as part of the development of the transition approach during the DLS phase. These controls could include extending the time for a change of supplier request, controlling publicity or increasing monitoring and support during early life.
24. Additionally, GB added that, in line with the Government's ambition to deliver benefits to consumers by 2018, Ofgem also wishes to test the options for early delivery of benefits to consumers, such as reducing the objections window, implementing the chosen method for dealing with cooling off events, or moving to calendar rather than business day processing of batch registration requests. EDAG members agreed that this should be tested in the RFI, but did emphasise that any early delivery should not create any additional risk for consumers and should not increase the likelihood of erroneous transfers.
25. In response to a question, RC noted that it is important to more fully understand costs, risks and the impact on consumers, and want market participants to detail this within their responses to the RFI.

### **Data Improvement Strategy**

26. James Crump (JC) gave a brief overview of the Data Improvement Strategy. He noted that it has been renamed from Data Cleanse strategy to better reflect its aims.
27. JC noted that Ofgem had undertaken a programme of stakeholder engagement to inform the work, and that this had indicated that roughly 80% of delayed or failed switches caused by data problems resulted from issues with address data. This is important because address data tends to be used as a proxy by customers to identify their supply.
28. In response to a query on the prevalence of address data issues, JC stated that address data needs to be the main focus of effort. However, improving other data types in future should not be ruled out.
29. Not all remedies being developed today are dependent on implementation of different Solution Architecture models. Only the first remedy, which envisages a centrally held address database within the CRS, would be dependent on the existence of a CRS.
30. JC outlined Remedy One, in which an external address database would be procured that would be held within a CRS created within Reform Packages 2 and 3. An attendee noted that DNOs already perform cleansing on their own address data, and that imposing a separate requirement could result in duplication of effort. Another attendee noted that there is risk involved and that while in principle this sounds like good idea, it would be risky in practice. One attendee noted that large buildings can have multiple meter points and supply points do not correspond to

physical addresses. Another attendee asked how address data would be validated to ensure that it is correct when multiple address data sets are distributed across the industry.

31. JC noted that their stakeholder engagement had indicated that there were issues with the quality of industry-wide address data. The aim of the remedy is to improve the quality of address data withheld within the industry and create a new resource. The RFI would present an opportunity to gauge current good practice and assess the extent of the benefit that would be wrought by the remedy. RC said that governance and ownership of data needs to be clear and in particular, that the people who have the authoritative knowledge to individual bit of data should be those responsible for owning it. The Data Model workstream within BPD was identifying data owners and data stewards.
32. An attendee observed that creating a further data set would not necessarily improve address data by itself, and that adding a further address type to existing multiple address data sets (for instance meter addresses and billing addresses) could add further complexity. Problems occurred when mismatches happened between different address data sets. JC observed that this was one of the issues that the remedy was intended to address, and that a centrally held, externally procured data set could improve both consistency and accuracy of address data. JC agreed that these include quality of plot addresses, ambiguous and incomplete addresses, and unusually named properties were issues that procuring an industry standard data set would improve.
33. JC noted that Ofgem's stakeholder engagement had identified *prima facie* evidence of a significant problem with address data, and that the numbers provided by the six largest suppliers indicated that up to 144,000 switches could be adversely affected by poor quality address data. Therefore there was a significant risk from doing nothing. The RFI presented an opportunity for the proposals to be tested in detail. RC added that issues around governance will be carefully considered.
34. JC gave a brief overview of Remedy 2. A responsibility would be created upon suppliers to reconcile meter technical data held by meter operators and meter asset managers with their own records, cleanse the data and ensure that the correct data is held within industry data sets. JC noted that this remedy will help reduce the number of switches which are delayed due to mismatches.
35. An attendee argued that the meter asset provider has the greatest interest to ensure that consumers had the 'correct' meter. JC noted that the purpose of creating an obligation will be to increase consistency across industry held data.
36. An attendee noted that there are obligations currently in place they often are not followed, for example SPAA for gas.
37. RC noted that Ofgem will be looking into current obligations, where changes will be made and how they are going to be monitored.

38. JC noted that the efficacy of this remedy was potentially limited by the rollout of smart meters, from which gaining suppliers should be able to identify and interrogate meter technical data. An attendee noted that as 100% smart meter rollout is unlikely, not everyone is obliged to work with the DCC and some will refuse to have smart meters, therefore it is necessary to ensure accuracy for these consumers as well.
39. An attendee noted that ownership of meters sits with different parties, and asked who would ensure that the right meter is at the address with right meter technical details.
40. RC summarised that governance and compliance need to be further considered, as well as the stewardship and understand costs and benefits through the RFI.
41. JC gave a brief overview of remedy 3. This remedy introduces a requirement DNOs and GTs to perform a one-off cleanse of historic plot addresses held within their data, and to communicate lists of plot addresses by date incurred going forward.
42. An attendee expressed concern that this would incentivise suppliers to stop ongoing programmes to improve plot addresses.
43. RC clarified that as these remedies are not tied to switching programme, progress can be made on them without waiting for the development of the Switching Programme. JC noted that the remedy was not intended to penalise existing good practice.
44. An attendee asked how many plot addresses are expected. JC clarified that quantification can be found in annex 6.1.
45. JC noted that an attendee noted that the most important part is how many plot addresses exist six months after wards. RC agreed.
46. JC gave a brief overview of Remedy 4. This remedy proposes creating the possibility for physical verification of postal addresses to be carried out on a residual of premises where data could not be cleansed by other means.
47. An attendee noted that the opportunity to carry this out will not exist after smart meters are installed, meaning that identification of properties would have to take place shortly. JC replied that Ofgem realise that the window for usefully using smart meter installation is closing, but that the intention of this remedy was that it would apply to a part of the population that is particularly difficult to monitor.
48. An attendee said that this remedy demands meter installers to change their very expensive systems already in place. An attendee noted that in addition to financial costs, management of time is also an issue. JC clarified that a fuller assessment of cost would need to be performed as part of the RFI.

49. An attendee asked if a billing address could be used instead. RC noted that billing address and premises address might be different.
50. An attendee expressed concern that remedies are distracting to the Smart Meter project. RC clarified that it is crucial to ensure that data quality is as good as it can possibly be. JC added that switching needs to be made more reliable in order for the programme to deliver its targets, and that existing site visits potentially represented an opportunity to improve the quality of this data.
51. An attendee noted there have been problems with address data for many years and they will be likely to persist once the switching programme is in place. JC clarified that the expectation is not that all address issues will be resolved, but that an improvement is necessary.
52. In response to a query, JC noted that the remedies would be tested by respondents to the RFI.

### **Data Migration Strategy**

53. JC gave a brief overview of the Data Migration Strategy. The question for EDAG was whether the group agreed with the outline proposal for data migration. The group indicated broad agreement with the proposals in the paper.
54. An attendee asked whether it is genuinely a one-way dependency between solution architecture and data migration or could data migration issues inform solution architecture? RC replied that the data quality has a role to play, but migration is transitional issue that needs to be managed. BC agreed and added that it could be a two way dependency.
55. An attendee argue that data quality and data compatibility should not be confused should not be confused; there are several version of the truth and it should be carefully considered which ones to use.
56. An attendee noted that definition of data items is critical to ensure that migration proceeds smoothly.

### **System Integration Strategy**

57. JC gave a brief overview of the paper. He asked EDAG whether they agreed that a system integration function should be procured if option packages 2 or 3 were selected. EDAG members broadly agreed that it should.
58. An attendee noted that he agrees that categorically system integration ought to be a standalone function. A system integration strategy included not just systems but also processes, organisation of the industry – these need to be integrated as well. JC clarified that these are included in the paper but ‘system integration’ was chosen for the sake of brevity.
59. JC noted that the question is whether independent party is needed. Several attendees agreed that this would be crucial. Another attendee noted that this would improve trust in the organisation.

60. RC noted that if there are any concerns that this part of procurement would be carried out by the DCC, they should be raised now as this is the current direction. Several attendees expressed concern that the independence might not be fully clear and demonstrable.

### **Reform Packages and Request for Information (RFI) Approach**

61. Tom Fish (TF) gave an overview of the proposed RFI approach. He informed EDAG which organisations Ofgem proposed to send the RFI to and the type of information that would be requested. He noted the intent to continue to develop the reform packages and RFI approach with stakeholders over the next couple of months. This includes a seminar on 7 November.

62. Andrew Wallace (AW) noted that in the last RFI, Ofgem asked suppliers to provide expected costs including costs of dealing with metering agents through the supplier hub principle.

63. Attendees suggested that Ofgem request RFI responses from shippers that provide services for multiple suppliers, MAPs, MOPs and other supplier agents.

64. EG said that small suppliers struggle to engage with the industry change and Ofgem should engage with them through the Small Supplier Forum. Another attendee also added that Ofgem should consider how it plans to engage with small suppliers given that there are a large number of market participants.

65. TF asked EDAG members to nominate a lead contact from their organisation for Ofgem to communicate with on the RFI.

**Action: EDAG members**

66. AW introduced the proposed reform packages. He stated that the Switching Programme is now putting the preferred options together into three reform packages for Design Baseline 1 (DB1). DB1 will be refined using responses to the RFI (early next year) and will be tested alongside a 'do nothing' option.

67. The three reform packages were: a Minimal Reform Package (key process changes on existing systems), a Major Reform Package (introducing a new switching service) and a Full Reform Package (includes a new switching service and a Market Intelligence Service (MIS))

68. Ofgem is following HM Treasury's methodology for producing the Switching Programme Business Case. Alongside the RFI, the first iteration of the Business Case – the Strategic Outline Case will also be published.

69. In response to a question by ABH, AW said that for the RFI an assumption will need to be made about the number of smart meters that have been installed at the time of go-live. There will be some planning assumptions and there will be a need to ensure that everyone is working towards those same planning assumptions.



70. ABH highlighted that the Minimal Reform package fails to meet some of the objectives of the programme on reliability. RC said that this do minimal package had been included in line with HM Treasury's guidance on Business Cases and it is important to know its costs and benefits. She agreed that it needs to be stated explicitly if this option fails to meet the programme's objectives.
71. On the minimal reform package, AT highlighted that moving to calendar day operations for registration requests would significantly add to the costs of suppliers because of weekend working to handle objections. EG said that this option is unviable as it would have a huge impact on small suppliers.
72. One attendee asked whether benefits for each package had been quantified. TF responded that this is one of the issues that will be addresses through the Business Case and that respondents to the RFI will be asked to identify benefits. He emphasised that Ofgem is equally focused on quantifying benefits and efficiency gains and not just costs.
73. Lynne Hargrave (LH) expressed disappointment that the inclusion of MAP IDs was only included as a feature of the Full Reform Package. She questioned whether this was in line with the decision of the Design Authority on this matter. AW replied that the content of reform package document was still being refined. He asked EDAG members to send their feedback on the document to Ofgem by Wednesday, 19<sup>th</sup> October.

**Action: EDAG members**

#### **Interactions with Smart Metering**

74. Jenny Boothe (JB) gave a brief over view of the paper. She stated that this paper considers ways in which the new switching arrangements should interact with smart meters. She invited EDAG to comment on the proposal that the switch should be aborted if for any reason an update to the smart meter fails. She also invited EDAG to comment on the recommendation that reconfiguration of smart meters should be undertaken between gate closure and midnight such that the new tariff for both electricity and gas is activated at midnight.

#### **AOB**

75. The next EDAG meeting is on 21<sup>st</sup> November. Policy issues on governance and assurance strategy, procurement framework and registration and switching governance framework will be shared for review.

**End**

**Attendee list**

Alex Belsham Harris – Citizens Advice  
 Eamon Hannaway – CNG  
 Dee Drew – EDF Energy  
 Jon Vindett – Haven Power  
 Justin Andrews – Elexon  
 Tom Chevalier – AMO  
 Alex Travell – E.ON  
 Bryn Coles – DCC  
 Aimi Hayman – DCC  
 Eric Graham – TMA  
 Anthony Lewis – DCC  
 David Liversidge – DCC  
 Adam Carden – SSE  
 Adam Iles – British Gas  
 Mike Harding – BUUK  
 Dan Hopkinson – ElectraLink  
 Colin Blair – Scottish Power  
 Joanna Ferguson – NGN  
 Hazel ward – Npower  
 Lynne Hargrave – CMAP

**EDAG Action Log**

No.	EDAG meeting	Action	Responsible party	Update	Status
33.	EDAG 7, 18 July 2016	Ofgem to consider developing a paper on the role of PCWs and TPIs in the new switching arrangements	Ofgem	Ofgem to Will present an overview of the program to TPIs at the Confidence Code Meeting on 2 <sup>nd</sup> November. This engagements seek to better understand the role PCWs can play in meeting the objectives of the programme.	Closed
34	EDAG 10, 15 September	The BPD Design Team to consider the governance arrangements for MIS	Ofgem	This issue is linked to the overall governance arrangements and how parties can access the MIS. This issue will take	Closed

				account of the work currently undertaken by the MEC sponsored Third Party Access Group (TPAG) considering access to data by TPIs	
35	EDAG 11, 13 October	EDAG members to nominate a lead contact from their organisation for Ofgem to communicate with on the RFI.	EDAG members		Open
36	EDAG 11, 13 October	EDAG members to send their feedback on the document to Ofgem by Wednesday, 19th October.	EDAG members		Open