

SUMMARY POLICY ISSUE PAPER – FOR DESIGN AUTHORITY DISCUSSION

Title of Paper	Switching Programme Design, Build and Test Phase Governance and Assurance Strategy		
Issue Ref		Date:	23 November 2016
Issue Owners / Author	Tony Thornton (Author), James Crump		
Discussed at User Group	1 November 2016	Discussion at EDAG Group	21 November 2016
Issued to DA		Discussion at DA	30 November 2016

Summary and recommendations

1. This paper considers arrangements for governance and assurance in the Design, Build and Test (DBT) phase of the Switching Programme. It has been drafted in the context of decisions taken by the Programme Board in July 2016 (reflected in Appendix 2).
 2. Work will be undertaken during the Detailed Level Specification (DLS) phase and the Enactment phase of the Switching Programme to establish the detailed governance and assurance roles in DBT. This should reflect other deliverables within the programme which will have a bearing on the Governance and Assurance Strategy, such as System Integration, Testing and Post Implementation strategies.
- The key features of this approach are set out below. **Governance:** Ultimate responsibility for programme governance in DBT phase will sit with a single decision-making SRO (Ofgem) advised by a Programme Board. The composition of this body may expand to include other parties as required in order to ensure that an appropriate breadth of opinion is reflected in decision making. In addition, other (separate) bodies may provide advisory functions or may act with authority delegated from this body, in order to allow for executive and working level of representation and decision making during the DBT phase.
 - **Assurance:** The need for assurance will differ depending on the final design of the Switching Programme and the lifecycle stage of DBT (before, during and after testing). The approach to types of assurance required should be risk-based, and a final decision on the form of assurance will be taken when the final design of switching arrangements is decided and the areas of greatest risk are identified. Ofgem and DCC may decide to procure external independent assurance for the programme. A detailed assurance plan for the DBT phase will need to be drawn up in good time to allow the assurance providers to be procured ahead of commencement of that phase.

- **Programme Management:** Provision of programme management activity and the PMO role which is currently proposed to be delegated to the Data Communication Company (DCC) for the DBT phase.
 - **Incentives:** Changes to regulatory obligations to ensure that industry parties are fully engaged throughout the DBT phase and committed to its delivery may be considered as part of the ongoing work of the Switching Programme.
3. Final decisions on the structure of the governance, assurance and programme management functions will take place once certainty is achieved on the reform package chosen for the programme. This will include which parties will undertake these functions (and the level of independence required for these parties and how this will be guaranteed).
 4. The DBT Programme Board should be installed sufficiently in advance of the commencement of DBT in order to allow decisions relating to other roles and responsibilities (such as delegation of responsibility) to be resolved in time to ensure a seamless transition without 'gaps' in governance responsibilities between phases.
 5. DA members are invited to comment upon the proposed approach to governance, assurance and programme management as set out by the Programme Board.

Background and Analysis

Essential Background

6. A DBT governance and assurance framework was not specifically covered under the TOM v2. However, evidence from other energy market reforms (such as Smart Metering and Nexus) and large-scale IT system changes highlights the importance of having strong programme controls during the design and build phase in order to reduce delivery risks.
7. In July 2016, a high-level model for roles and responsibilities within the future phases of the Switching Programme (including the DBT phase) was agreed by the Switching Programme's Programme Board. This is summarised in Appendix 1.

Governance

8. The Gas and Electricity Market Authority (GEMA) has delegated responsibility for delivery of the Switching Programme to Ofgem. Ultimate responsibility for decisions taken as part of the Programme will fall to Ofgem, which will be represented on the Programme Board (and other key decision making bodies) within the DBT phase.
9. Ofgem will have overall SRO responsibility, sponsorship and accountability for delivering the benefits of the programme through to a go/no go decision and for a period (to be determined) following 'go-live', (the extent of which will be determined by the complexity of the chosen arrangements).
10. As SRO, Ofgem may delegate responsibilities as it feels appropriate. For example, the July Programme Board that overall programme management and PMO roles for the

DBT phase should be delegated to DCC. In addition, other bodies may be also represented on the Programme Board to ensure that decision making is robust and a plurality of views are represented.

11. Effective and transparent decision making must be maintained as the Switching Programme moves through DLS and Enactment phases, and into DBT. Decisions will be required during the DLS and Enactment Phase to ensure that critical governance components for DBT can be secured in good time, especially where procurement exercises are required. For example, a Programme Board should be in place ahead of DBT with the appropriate representation and definition of the terms of reference and responsibilities for key sub-groups will help ensure a seamless transition from Enactment to DBT phases.

Assurance

12. The Testing and Systems Integration Strategies will be developed to the next level of detail during DLS, shaping the testing and integration requirements. The assurance function will need to be combined with testing and System Integration strategies to ensure that an overarching view of the end-to-end programme delivery readiness is achieved, with no 'assurance gaps' for the programme as a whole.
13. The person or persons carrying out the assurance should be appropriately independent of the risk being assured, based on an assessment of risk. This is essential to ensure that assurance assessments provide an unbiased opinion on the progress towards the assured outcome, and that the governance framework facilitates decision making that is balanced across any individual organisational interests, whilst the cost of assurance remain in proportion to the risks posed to the programme. Independence is an important factor in support of maintaining regulatory, industry, and public confidence.

Programme Management

14. Programme Management of the Blueprint, DLS and Enactment phases of the will be undertaken by Ofgem. However, the the July 2016 Programme Board recognised that Ofgem does not necessarily have the capacity or relevant expertise to provide Programme Management for the DBT phase of the programme. At the Programme Board it was envisaged that the Data Communication Company (DCC) would be responsible for providing or procuring the Programme Management and PMO function, as the operator of the CRS. This does not necessarily create a conflict of interest for the programme management function. The view of the Programme Board is that DCC is best placed to understand the risks surrounding the programme and that any potential conflicts of interest can be managed by effective governance. DCC may procure a party that is fully independent of the remainder of the Switching Programme to conduct PMO activity.

Views from User Group and EDAG

15. Governance and Assurance proposals were discussed at User Group and EDAG on 1 November and 21 November respectively. Both groups generally agreed with the conclusions of the Programme Board. The User Group highlighted the importance of

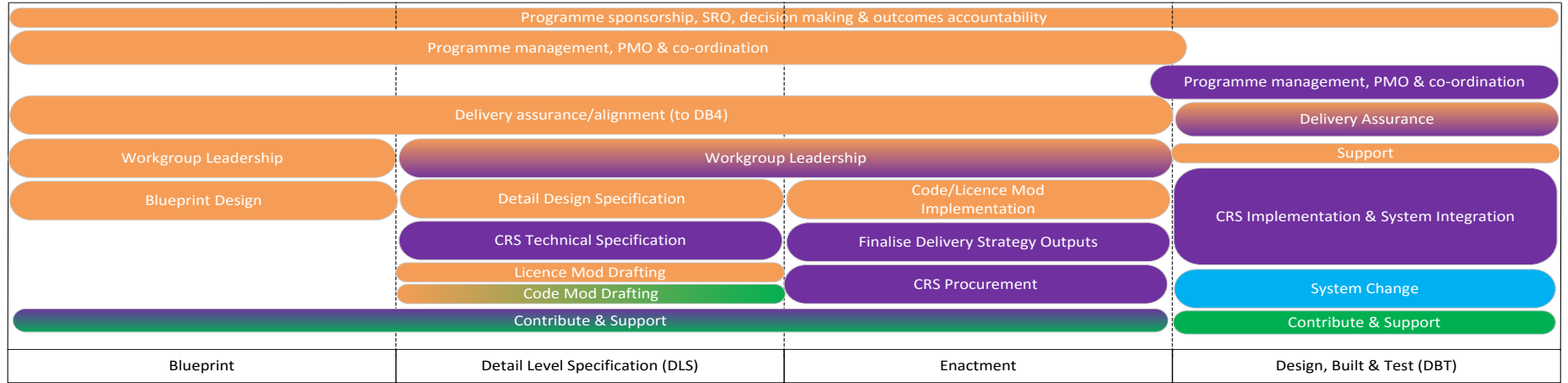
ensuring that an appropriate degree of independence were achieved for the assurance and programme management functions, but that this was balanced with ensuring that the selected parties were competent to exercise the required functions. EDAG argued that the PMO function should be independent of DCC, but that procurement of the function by DCC need not compromise this independence. They were optimistic that an open procurement process would identify parties who was both appropriately independent and competent to provide assurance to the Programme.

Related Issues

16. **Reform Approach:** The appropriate approach to Governance and Assurance will depend somewhat on the chosen reform approach, with each reform package likely to require progressively more intrusive governance and assurance to help manage the increased risk.
17. **System Integration Strategy:** Reform Packages 2 and 3 envisage a systems integration function, which could be taken by an existing body or appointing a specialist body act as Systems Integrator. The SI strategy must be compatible with any Governance and Assurance Strategy developed for the DBT phase.
18. **Testing Strategy:** The testing strategy will be an important component of the overall approach to assurance within the programme to ensure that Ofgem and key stakeholders are provided with assurance that the new switching arrangements will operate as specified.
19. **Post-Implementation Strategy:** The Post Implementation Strategy product creates arrangements to ensure appropriate technical support for the new switching arrangements (including the CRS) post-go-live, and before transition to enduring 'business as usual' arrangements. The product will define appropriate programme entry and exit criteria that defines a successful conclusion of the DBT phase and potentially defines a period of 'enhanced support' post go-live.
20. The DBT governance and assurance arrangements must be capable of supporting the programme for a period after go-live, in order to avoid the Programme prematurely closing before its performance and stability have been proven and exposing industry participants and customers to undue risks before a managed hand over to the steady state arrangements.
21. **Regulatory Design:** Delivery of new licence and industry code provisions is essential to ensure that the correct obligations are placed on market participants to ensure that they meet the objectives of the Switching Programme and therefore fully engage with the governance and assurance requirements.

Appendix 1 - Switching Programme – Proposed future delivery roles

Annex 2 - Switching Programme – Proposed future delivery roles



Description	Summary & Key Issues
<ul style="list-style-type: none"> Ofgem remain responsible for and lead (with industry support) detail design. Delivery responsibility for CRS technical specification, procurement & completion of Delivery Strategy outputs delegated to DCC. Ofgem retain delivery responsibility for and lead and co-ordinate code modifications work but delegate the delivery of drafting code changes to relevant code bodies. Workgroups created with industry but led by Ofgem/DCC 	<ul style="list-style-type: none"> Responsibility for CRS specification and transition falls to the body responsible for its procurement & operation. Ofgem retain control of code modification work but changes are delivered by industry. Requires code body acceptance to take on activity Increased effort to ensure co-ordination & alignment of activity in DLS

Activity	Ofgem	DCC	Code Admin	Industry	SRO/Programme Board / Design Authority
Delivery Assurance/Alignment	R	C I	C I	I	A
Planning & Programme Management ¹	R	C	C	I	A
Detail Design Specification	R	C S	C S	C S	A
CRS Technical Specification	C S	R	C S	C S	A
Code/Licence Mod Specification & Drafting	R	C S	C S	C S	A
Code/Licence Mod Implementation	R	C S	C S	C S	A
Finalise Delivery Strategy	C S	R	C S	C S	A
CRS Procurement	C I	R	I	I	A
CRS Implementation	S I	R	S I	C I	A

R – Responsible A - Accountable² C – Consulted S – Support I- Inform
¹ - Planning & Programme Management Responsibility transfers to DCC for DBT Phase.
² - Accountability for overall programme, R indicates responsibility for delivery and accountability to SRO



Title of Paper	Governance and Assurance Strategy		
DA Issue Ref	xxx	Date:	01/11/2016
Issue Owner (Accountable)	James Crump		
Author of Paper (Responsible)	Tony Thornton		
Status of Paper (V2.0)	EDAG Review		
Timing	<p><i>This product is needed to provide input to the strategic direction for the governance and assurance framework for DBT phase.</i></p> <p><i>It provides insight to the key elements under consideration to help to shape the roles, responsibilities and functions that need to be captured for the Faster and Reliable Switching Programme (Switching Programme) changes.</i></p> <p><i>The governance and assurance strategy will continue to evolve, with decisions being made on its final design during the DLS Phase as and when agreements are reached on the chosen Reform Approach.</i></p>		
Dependencies	<p><i>Dependency upon the Reform Approach and Ofgem's role within programme.</i></p> <p><i>Interdependencies with the Solution Architecture, Testing Strategy, Transition Strategy, Data Improvement Strategy and Systems Integration Strategy products within the Delivery Strategy workstream.</i></p> <p><i>The level of assurance will depend on the confidence level required by the Switching Programme.</i></p> <p><i>Ofgem's approach to the CMA outputs and how this translates into licensing of Code Administrators could also have an impact as could potentially the strategic role of Ofgem, and the formation of the Consultative Body (subject to how this develops).</i></p>		

Circulation	Workstream Leaders / Design Team / User Group / EDAG / DA Huddle / Website
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Issue	What should the governance and assurance regime be for the DBT
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	<i>Phase to ensure the Faster and Reliable Switching Programme meets its objectives?</i>		
Impacts Domestic?	Yes	Impacts Non-Dom?	Yes
Policy Objective (and reference to ToM v2)	<i>The governance and assurance strategy will be designed in order to set out clear roles and responsibilities during the programme DBT phase, ensuring effective processes are put in place for issue identification and resolution, and for change management. The strategy will also set out the high-level approach to assurance to effectively manage delivery risks and provide the required level of confidence in delivery, consistent with the high-level requirements (set out in Section 12.41 of the ToM v2).</i>		
Previous Positions on this/related Issues	<i>New Issue</i>		
Summary of Recommendations	The paper does not make any recommendations, other than to articulate a number of sensible design considerations that could be taken forward to underpin the DBT Governance and Assurance Strategy. This will be further developed through the DLS and Enactment Phases through Management Plans.		

<u>Internal and External Engagement</u>	
Business Process Design	<i>Jenny Boothe</i>
Regulatory Design	<i>Jon Dixon</i>
Delivery Strategy	<i>James Crump</i>
Commercial Strategy	<i>Natasha Sheel</i>
DIAT	<i>Barry Coughlan</i>
Legal	
Other Ofgem Teams	
<u>Meetings at which this paper has been discussed</u>	
Workstream Leaders	
User Group	<i>1 November 2016</i>
EDAG	<i>21 November 2016</i>
Other External	
Ofgem Design Authority	<i>TBA</i>

POLICY ISSUES PAPER – CONTENT

Issue

1. This paper considers arrangements for governance and assurance in the design, build and test (DBT) phase of the Faster and More Reliable Switching Programme (the Switching Programme). Effective governance and assurance arrangements during this phase are necessary to ensure that the programme meets its policy objectives as set out in the Target Operating Model (ToM v2).¹
2. Engagement by all market participants in a timely and effective manner will be essential for successful programme delivery, and therefore incentives must ensure that participants are suitably motivated to make the new Switching Arrangements a success.
3. The governance mechanism put in place for the DBT phase should provide the means by which transparent, timely and informed decisions can be made and accountability secured by assigning appropriate powers to relevant bodies, whilst respecting the confidentiality and commercial needs of those involved.
4. The assurance approach should enable objective progressive measurement, monitoring and evaluation of progress towards the delivery of faster, more reliable switching. The method of assurance deployed should be responsive and risk-based, such that action can be taken by the responsible individual or party in a timely and coordinated manner.
5. Careful consideration is required on how to ensure the programme moves seamlessly to the DBT arrangements, especially with respect to the preceding two programme phases: detailed level specification (DLS) and enactment² whilst noting that this will need to seamlessly and effectively transition from Enactment to DBT, and post-implementation to the enduring market governance framework.
6. This paper sets out the background to the Governance and Assurance Strategy development, noting related work areas, its likely components, providing analysis of the likely risks and issues to be addressed, and providing a direction of travel in line with the Blueprint Programme Board's decisions up to September 2016.
7. The paper concludes with a number of principles to underpin the DBT Governance and Assurance Strategy, but without being prescriptive as to what the answers might be at this stage – that must come later in the programme when there is greater clarity about the chosen reform package and how it might be implemented.

¹ Ofgem, [Moving to reliable and fast switching: Target operating model and delivery approach v2](#), November 2015

² A high-level summary of the activities to be conducted in each phase is included at Appendix 3

8. We welcome the User Group's comments on the content of this paper ahead of sharing it with the External Design Advisory Group (EDAG) in November 2016.

Essential Background

9. A DBT governance and assurance framework was not specifically covered under the TOM v2. However, evidence from other energy market reforms and large-scale IT system changes highlights the importance of having strong programme controls during the design and build phase in order to reduce delivery risks.
10. On 17th February 2016, the Delivery Strategy User Group was presented with the initial draft options for a governance and assurance framework for the DBT phase. The User Group noted that the risks identified by the Delivery Strategy Design Team (DT) were significant, warranting a degree of independent oversight across the programme. A key feature was the requirement for Ofgem to play a key role as the sponsor within an independent governance and assurance framework.
11. In July 2016, a high-level model for roles and responsibilities within the future phases of the Switching Programme (including the DBT phase) was agreed by the Switching Programme's Programme Board. This is summarised in Appendix 2. The primary areas that have a direct bearing on the Governance and Assurance Strategy are as follows:
 - a. Ofgem retains overall SRO responsibility, sponsorship and accountability for the benefits for the Switching Programme through to go/no go decision and for a period (to be determined) post implementation;
 - b. In addition to CRS DBT, overall programme management and PMO roles will be delegated to DCC in the DBT phase; and
 - c. Ofgem will ask DCC to undertake, or procure a body to undertake, System Integration of the end to end solution.

Related Issues

12. The Governance and Assurance Strategy is evolving to be complementary with the other delivery considerations that have a direct bearing on a successful overall programme outcome. This will need to ensure that, despite the many parts involved, the overall delivery outcome is well coordinated, with clear lines of accountability and communication. Table 1 below identifies the other products that the DBT Governance and Assurance Strategy will draw upon.

Reform Approach ³	<p>A range of reform options are being considered under the RFI. These are: (1) Do Nothing (2) Minimal Reform (3) Major Reform (4) Full Reform - the benefits and challenges growing incrementally depending upon the chosen reform option.</p> <p>The Governance and Assurance strategy must flex to cater for the chosen reform approach, noting that Full Reform will require incrementally greater governance and assurance to help manage the increased risk.</p>
System Integration Strategy ⁴	<p>Depending on the chosen Reform Package, a systems integration function party acting as a Systems Integrator is likely to be used to ensure that the end-to-end solution being developed is delivered on time, with all parties being aware of their responsibilities.</p> <p>Reform Package 2 & 3 will require an SI with multiple industry party systems needing to be able to communicate with one another. The strategy will need to ensure that the various affected system components and their interfaces can successfully integrate to satisfy the new arrangements, and that integration risks are understood and mitigated early. This will involve a systems integration function which could be taken by an existing body or appointing a specialist body act as Systems Integrator. The SI strategy is itself dependent upon the Solution Architecture and must be compatible with any Governance and Assurance Strategy developed for the DBT phase.</p>
Testing Strategy ⁵	<p>The testing strategy sets out a high-level approach to planning and allocation of roles and responsibilities for testing the new switching arrangements. Testing should identify any non-conformances against defined product and service specifications before the products and services are formally released. The testing strategy will be an important component of the overall approach to assurance within the programme to ensure that Ofgem and key stakeholders are provided with assurance that the new switching arrangements will operate as specified.</p>
Post-Implementation Strategy ⁶	<p>The introduction of the new switching arrangements into live operation is likely to experience early life stability problems due to complex, multi-party implementation, familiarity with and knowledge of the new arrangements, and a range of other issues. This product creates arrangements to ensure appropriate technical support for the new switching arrangements (including the CRS) post-go-live, and before transition to enduring 'business as usual' arrangements. The Post Implementation Strategy will define appropriate programme entry and exit criteria that (a)</p>

³ Ofgem, Draft Reform Packages and RF Approach, EDAG Version, 13th October 2016

⁴ DCC, System Integration Strategy, V0.4, 12th September 2016

⁵ Ofgem, Switching Programme Testing Strategy, 23 August 2016

⁶ Ofgem, Switching Programme Post-Implementation Strategy, 23 August 2016

	<p>defines successful conclusion of DBT, and (b) potentially defines a period of 'enhanced support' post go-live.</p> <p>The DBT governance and assurance arrangements must be capable of supporting the programme for a period after go-live, in order to avoid the Programme prematurely closing before its performance and stability have been proven and exposing industry participants and customers to undue risks before a managed hand over to the steady state arrangements.</p>
Regulatory Design ⁷	<p>The objective of the Regulatory Design Workstream is to 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) fast and reliable next-day switching arrangements that would operate on the CRS.</p> <p>Delivery of this work is essential to ensure that the correct obligations are placed on market participants to ensure that they meet the objectives of the Switching Programme and therefore fully engage with the governance and assurance requirements.</p>
Commercial Design	<p>If there are bodies or roles that are intended to be the responsibility of DCC (e.g. SI), then this will need to be reflected in any DCC Business Case.</p>

Table 1: Related Key Issues

Analysis

13. Below is an assessment of the early analysis of some of the key issues relating to the Governance and Assurance Strategy for the DBT Phase of the Switching Programme. The following sections cover:

- Lessons learned from previous large scale IT systems changes and programme management frameworks;
- Ofgem's role;
- Definitions of governance and assurance;
- Level of risk and degree of confidence required
- Delivery incentives;
- The governance bodies - key roles and functions;
- Decision-making and issue management;
- Assurance;
- Incentives; and
- Conclusion.

⁷ Ofgem, Regulatory Design Workstream - TOR, v0.1

Lessons Learned

14. Ofgem's assessment of large IT software projects external to the energy industry highlighted that strong project governance and assurance mechanisms should:⁸
 - a. Facilitate issues management and binding decision making;
 - b. Provide mechanisms to triage queries;
 - c. Comprise tiered structures to ensure decisions are made quickly at the right level;
 - d. Establish strong chairs to "knock heads" when necessary;
 - e. Be independent and transparent of both central and industry systems; and
 - f. Ensure incentives on all parties to avoid programme slippage and to maintain a strong focus on the outcomes.
15. Studies drawn from the energy sector (including Project Nexus) confirmed that effective governance and assurance has a significant bearing upon the success of major policy and industry initiatives.⁹
16. Critically, programme management and assurance needs to remain sufficiently detached from those that have a vested interest in the delivery of complex programmes.
17. An appropriate degree of independence is essential to ensure that assurance assessments provide an unbiased and honest professional opinion on the progress towards a successful outcome, and that the governance framework facilitates decision making that is balanced across any individual organisational interests. Independence is an important factor in support of maintaining regulatory, industry, and public confidence.

Ofgem's Role

18. Ofgem will have overall SRO responsibility, sponsorship and accountability for delivering the benefits of the programme through to a go/no go decision and for a period (to be determined) following 'go-live'. Ofgem is responsible for delivering appropriate governance structures to ensure the new switching arrangements do not go-live until there is sufficient confidence that they will not endanger the smooth operation of retail energy markets.
19. As SRO, Ofgem may delegate responsibilities as it feels appropriate. For example, the July Programme Board that overall programme management and PMO roles for the DBT phase should be delegated to DCC.

⁸ Based on February 2016 Ofgem assessment of IT projects.

⁹ Experience drawn from the project management of Electricity Central Online Enquiry Service (ECOES) in 2005, the Green Deal Central Charge database (GDCC) in 2011, and Project Nexus (ongoing)

Definitions of governance and assurance

20. For the purpose of this paper, we will define Governance and Assurance as follows:

- a. **Governance:** provides the means by which transparent, timely and informed decisions can be made and accountability secured by assigning the appropriate powers to relevant bodies and respecting the confidentiality and commercial needs of those involved. It engages directly with those affected, to ensure the common goal, faster, more reliable switching can be delivered within the quality, time and budget constraints that have been set. The framework should support the delivery of a consistent switching journey for all types of customers. It should also support those involved in meeting legislative obligations.
- b. **Assurance:** the means by which individual party progress towards the common goal of faster, more reliable switching can be progressively measured, monitored, and evaluated. In accordance with a responsive, proportionate /risk based methodology, such that action can be taken by the responsible individual/party in a timely and coordinated approach. Meaning that the Switching Programme is able to demonstrably achieve its key success criteria, including securing a high level of confidence in the outcomes, whilst respecting the commercial sensitivities of those involved.

Level of risk and degree of confidence required

21. Appendix 4 contains a risk heat map for the Switching Programme.¹⁰ The main risks highlighted were:

- a. Negative impact on retail competition;
- b. Failure to deliver to quality, time and budget;
- c. Data security and data quality; and
- d. Industry readiness in line with the Switching Programme expectations.

22. The risks were assessed as material and that the governance and assurance framework should be designed in a way that helps mitigate those risks.

23. Industry practices and processes already support customer switching. In this sense the Switching Programme represents an enhanced delivery capability rather than wholly new market practice. However, the move to faster switching involves a significant compression of the switching period, and potentially involves new interfaces with a central system (subject to the chosen Reform Approach) in addition to wider processing aspects such as revision of cooling off periods and objections management.

¹⁰ This heat map was presented to the Delivery Strategy User Group on 8th March 2016..

24. Moreover, customer confidence in switching is essential for effective competitive in energy markets. Any reduction in customer confidence that their switch will be delivered reliably will severely undermine the programme's aims. A relatively small number of adverse customer experiences of the new arrangements following go-live could provide a disproportionately negative public view of the programme's success and of switching more generally.
25. For this reason, the Governance and Assurance Strategy must ensure a high level of confidence in successful delivery, in conjunction with the other products outlined above. The design of the Governance and Assurance strategy may be modified to ensure that overall confidence in delivery is maintained as other products are delivered, forming a holistic approach to governance and assurance across all parts of the Switching Programme. This will be reinforced by a comprehensive testing plan delivered as part of the Testing Strategy, which will reflect best practice standards.
26. However, not all wisdom is concentrated at the centre of the programme and governance methods must not disenfranchise parties who might play a constructive and active part. Effective governance should allow contributions and constructive challenge from market participants and parties with relevant IT expertise.
27. Failure to deliver the Switching Programme successfully would have a major impact on the retail energy industry. This means that robust controls and programme standards are needed to provide delivery confidence, to ensure that stakeholders are kept informed, and that go/no-go decisions can be made in an effective and transparent way. Assurance must provide appropriately robust scrutiny to all relevant parties (includes those which are self-assured) to ensure confidence in an end-to-end solution.
28. The Switching Programme must agree the 'quality gate' criteria against which assessments of whether risks have been adequately mitigated are measured, including the final go-live decision. This should complement the quality gate criteria that will be required as part of the Testing Strategy.
29. For a programme of this size and its external governmental and regulatory profile, this may include management of customer and media expectations. This should be reflected in the Transition and Customer Engagement strategies. This will also be important to ensure that the Switching Programme provides clear and consistent messaging for stakeholders and participants regarding progress, implementation and transition outcomes.

Delivery Incentives

30. Any governance and assurance regime should consider the extent to which participants are incentivised to commit to the Switching Programme's deliverables.

31. The extent to which programme participants are fully engaged and fully committed will impact programme governance and assurance. The incentive to engage with the Switching Programme may be influenced by the programme's Transition Strategy, and also by the Solution Architecture. For example, a more protracted programme transition implementation may lead to engagement fatigue or even result in lack of engagement continuity as key resources shift responsibilities. There may also be disincentives to be the 'first mover' if design or integration issues are uncovered during the DBT phase. Furthermore, in end-to-end system delivery, slow progress made by some participants will have consequential impacts on others. Incentive mechanisms must be well targeted, sufficiently robust to drive proactive engagement, and proportionate to the programme's needs.¹¹
32. A key consideration was whether there might be sufficient natural incentives on some participants to ensure the right skills and resources are deployed in support of the Switching Programme and that internal company change is being well managed. In one sense, Suppliers (in particular) may be generally incentivised to participate in order to maintain an ability to gain customers more quickly and potentially could be motivated to engage with the programme to ensure their internal interfacing IT systems are fit for purpose.
33. However, there could be other stronger factors (for example commercial imperatives) which act as a disincentive on organisations to fully engage. This could include a company's own internal change programme, competing priorities and possibly stronger financial drivers that encourage it to focus elsewhere. In particular, the motivations may not be so clear when it comes to participants such as distribution businesses and gas transporters that may have less to gain from the Switching Programme outcome.
34. Engagement by market participants in a timely and effective manner is a critical component to successful programme delivery, especially when there are so many different interoperating systems involved. A failure by one party could have consequential effects on another. As already noted, the risk of compromising the customer switching process and thereby harming customer confidence is not insignificant.
35. Appendix 6 contains an analysis of how different incentives upon market participants might affect the Faster and Reliable Switching Programme, and how creation of regulatory obligations might affect these incentives. This helped highlight that, where industry parties had to come together to ensure the design, build, test and ongoing management and funding of new central systems, a good outcome required:

¹¹ Included within Appendix 5, is the range of incentive mechanisms that were considered and assessed

- a. Certainty of the objective and delivery date;
 - b. A clear mandate to act;
 - c. Senior Executive level buy in; and
 - d. Commercial consequences for non-delivery.
36. Given these customer and competition risks and the need to ensure there was adequate and robust engagement by all market participants, the application of additional regulatory obligations upon market participants during DBT phase may be necessary. Whether this is the case, and the form that these incentives might take, will be determined by the outcome of the Switching Programme's Regulatory Design workstream.

The Governance Bodies – Key roles and functions

37. Effective and transparent decision making must be maintained as the Switching Programme moves through DLS and Enactment phases, and into DBT. For example, for critical programme governance components that underpin programme continuity, these will need to be in place in advance of DBT.
38. Decisions will be required during the DLS and Enactment Phase to ensure that critical governance components for DBT can be secured in good time, especially where procurement exercises are required. For example, a Programme Board should be in place ahead of DBT with the appropriate representation and definition of the terms of reference and responsibilities for key sub-groups will help ensure a seamless transition from Enactment to DBT phases.
39. Ofgem will maintain a role as SRO, retaining responsibility, sponsorship and accountability for the benefits for the programme throughout all its phases. However, this does not preclude delegation to other groups and/or parties to execute delegated decision making on its behalf within agreed parameters and subject to appropriate assurance. Consequently, Ofgem will play a central role within the Programme Board during DBT, ensuring ongoing decision making authority and transparency across all phases.
40. Appendix 1 sets out the existing 'Blueprint Phase Governance Structure'. At this stage, it is not possible or even necessary to be definitive on the programme's Governance and Assurance Strategy during DBT phase - Appendix 2 sets out the Programme Board's agreed position to reflect current thinking.
41. Work is ongoing to help shape its constituent parts and this will continue during DLS and Enactment. There are however a number of principles that can help shape the DBT governance and assurance framework, and these are set out under the 'Conclusions' within this paper.
42. Below is a summary of some of the bodies which may be created during the DBT phase to oversee the Switching Programme. It should be noted that these bodies

and roles may not necessarily form part of the final governance model during DBT phase, and the exact naming of groups may differ between phases.

- a. **Switching Programme Steering Group (SPSG):** periodic meetings of senior executive level stakeholders are likely to continue throughout the DBT phase, to maintain senior executive level buy-in, most probably in advance of critical stages in the development of the Switching Programme. The group presents an opportunity for senior executives to be updated on progress and key risks in order to maintain overall momentum (especially with regard to industry party commitments and party/system readiness).
- b. **Programme Board (PB):** the existing Programme Board for the Blueprint phase may be updated with new members to ensure that it is appropriate for DBT. Ofgem will continue to act as a programme sponsor and SRO, remaining ultimate oversight of the design, build and test to ensure the achievement of appropriate customer outcomes and project delivery, but day-to-day management of more technical matters could be delegated to other parties.
- c. **Programme Manager/Director (PM):** will have day-to-day control of the Switching Programme to ensure that goals are met, and ensure the effective delivery of the Governance and Assurance Strategy are in line with the programme's plan, including coordinating others that impinge upon the programme goals (e.g. DCC/CRS, working groups). He/she brings a tool kit of standards and methods (e.g. ITIL, Agile etc.) that can be customised or responsive to meet the unique nature of the Switching Programme and its stakeholders. The person assumes overall control of the Project Management Office (PMO), including change management control, risks and issue management etc. In the July 2016 Programme Board, it was envisaged that the Programme Management and PMO function for DBT would be provided by the Data Communication Company (DCC), as the operator of the CRS. However, this still leaves the capacity for these roles to be assumed by a party that is independent of the rest of the programme.
- d. **Design Authority (DA):** custodians of the design and requirements specification. This may not be a 'body' as such, but represent a small number of designated experts who are fully conversant with the design architecture and history. An effective Design Authority function should ensure that overall integrity of the solution is kept consistent with the specification(s), including undertaking horizon scanning such that any externalities could be assessed and recommendations made to the Switching Programme. It could be based upon or evolve from the existing DA arrangements, i.e. changing as it goes forward through the lifecycle of the Switching Programme.

- e. **Systems integration/ Systems Integrator (SI):** an expert function that ensures the effective integration of the component parts of an end-to-end solution for the delivery of the Switching Programme.¹²
- f. **Code Bodies:** code bodies may play a role with respect to the code changes that will be required in support of DBT, as well as supporting transition to the enduring governance arrangements. The Blueprint Programme Board assumption is that code bodies and industry partners continue to commit to and provide resource to the Switching Programme at similar (if not increasing levels) as the programme moves forward.

Decision making and issue management

43. Governance of the Switching Programme should ensure transparent, effective and timely decision making. This is likely to involve:
- a. A proven change and configuration management methodology (including categorisation and triaging) for changes that impact the programme, ensuring that changes which have a material impact on programme duration, cost and/or quality of the service delivered, against those solely relating to design are targeted to the right decision making body;
 - b. Clear pathways for dispute, issue and conflict management in decision making with appropriate mechanisms for parties to engage;
 - c. All changes impacting the programme to be lodged and coordinated within the programme to ensure there is effective control and prioritisation;
 - d. Clearly articulated decision making authority / parameters / thresholds set for the various governance groups or individuals;
 - e. A single programme contact point for all disputes, issues and changes to be lodged and managed through to resolution;
 - f. Transparent reporting to all industry parties such that outcomes can be cascaded and shared; and
 - g. Cost /benefit impact assessment approach undertaken for changes to enable impact assessments to be undertaken and changes prioritised.
44. Similarly, appropriate tolerance levels for system and process defects will need to be set to allow for go/no go decision making for each step / quality gate(s) throughout the DBT phase. Whilst the DBT Programme Board will be responsible for key decision making, it will be Ofgem as SRO (informed by the DBT governance processes) that will ultimately make the decisions, especially with regard to whether there is adequate confidence in DBT outcomes to 'go live'.

¹² The systems integration function (or role of a Systems Integrator) will be covered in detail in a separate product.

45. The Gas and Electricity Market Authority (GEMA) has delegated responsibility for delivery of the Switching Programme to Ofgem. Ultimate responsibility for decisions taken as part of the Programme will fall to Ofgem, which will be represented on the Programme Board within the DBT phase. Other bodies may be also represented on the Programme Board to ensure that decision making is robust. Provision will need to be made for a number of different pathways to ensure there is effective decision making across a range of different decision making scenarios, whilst noting there will be a single programme contact point for all industry parties into and out of the programme, no matter what the issue/matter relates to. An example decision making pathway is set out in Fig. 1 below.

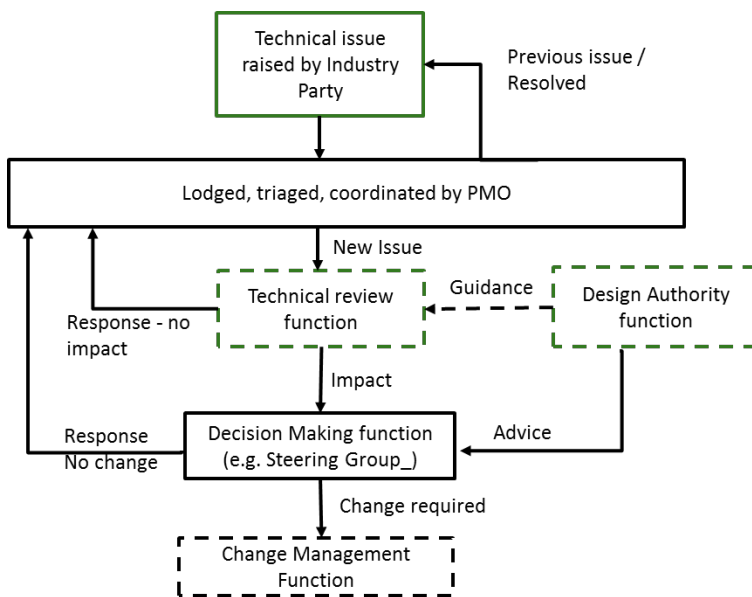


Fig. 1 – example of a simple governance decision pathway

46. It is important to highlight that the above example pathway in Fig. 1 could also interact with or trigger other decision pathways; for example, it could end up being escalated to the DBT Programme Board dependent upon the impact. In reality, there will be more complex decision pathways to cater for given the multiple parties involved in decision making.

Assurance

47. A range of potential assurance methods were examined (Fig.2 below) as well as the possible delivery mechanisms assessed for their relative strengths and weaknesses (see Appendix 5). Also under consideration was the extent to which assurance independence would be an important factor.

Key Assurance Components

48. Ultimately, the assurance strategy will be the basis for future detailed work to determine precise assurance requirements. At this stage, a number of key assurance requirements were identified:
- a. Assurance should be risk based and would need to evolve across the different stages within the DBT phase, reflecting the different stages of design, build, integration and testing undertaken by the DCC and industry parties;
 - b. Data conversion and migration to the new registration system would need to be assured before go live¹³;
 - c. There will be a number of quality gates through the DBT phase that all affected parties will be required / incentivised to meet;
 - d. All party progress and readiness will need to be assessed on a progressive assurance basis (there should be no surprises);
 - e. A number of market participants (and at least one for each role) will be required to enter service integration and end-to-end testing (to prove the interfaces). This will need to be set at a level that provides a suitable level of assurance confidence; and
 - f. Those that are not part of the service integration and end-to-end testing will be subject to User Entry Performance Testing (UEPT) prior to Go Live.

Assurance Methods

49. Fig. 2 below sets out a range of assurance methods that could be deployed as part of a risk based, proportionate response. It is very likely that the appropriate mix and risk based methodology will be further informed by the assurance service provider once secured.
50. It is essential that the assurance methods chosen are suitably adaptable to reflect the full breadth of activities undertaken as part of the end-to-end solution for the programme. These should reflect not only delivery of the end-to-end technical solutions (where an assurance role will in part be played by the System Integration function) but assurance of other roles which sit outside technical delivery (such as the programme management and changes to regulatory architecture).

¹³ Data quality and migration is being considered as part of a separate product under the Switching Programme



Fig. 2 Assurance methods

Testing

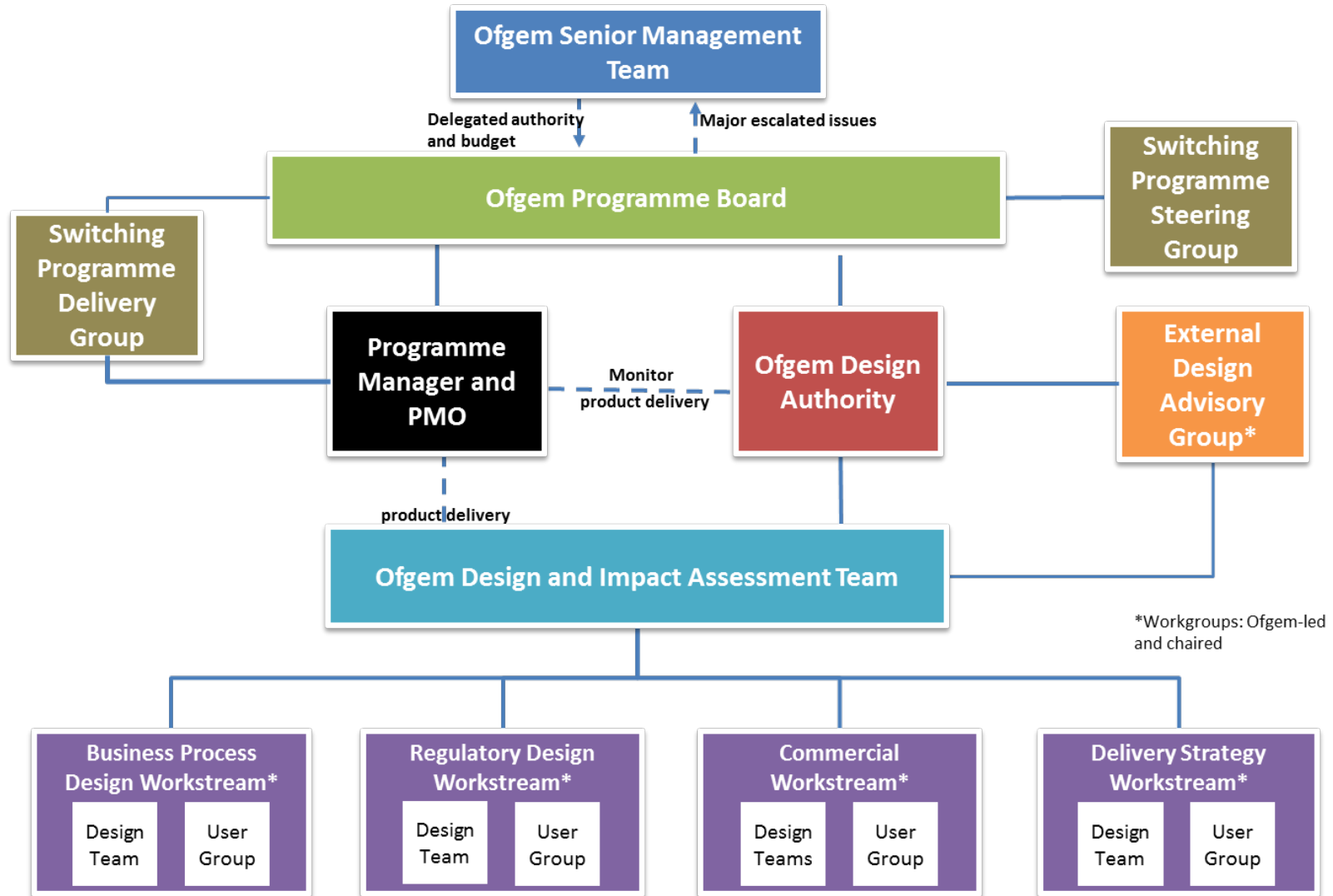
51. The Testing and System Integration Strategies will be developed to the next level of detail during DLS, shaping the testing and integration requirements.
52. The assurance function will need to be combined with testing and System Integration strategies to ensure that an overarching view of the end-to-end programme delivery readiness is achieved, with no 'assurance gaps' for the programme as a whole.

Conclusion

53. Work must be undertaken during the DLS and further in the Enactment phase of the Switching Programme to clearly define the Governance and Assurance roles in DBT. This should reflect other deliverables within the programme which will have a bearing on the Governance and Assurance Strategy, such as System Integration, Testing and Post Implementation. However, cognisant of the decisions taken by the Programme Board in July 2016 (reflected in Appendix 2), this paper sets out a high-level approach to Governance and Assurance.
 - a. **Governance:** Ultimate responsibility for programme governance in DBT phase will sit with a single decision-making SRO (Ofgem) advised by a Programme Board. This body should make decisions in a timely and transparent manner. The composition of this body may expand to include other parties as required in order to allow a breadth of opinion is reflected in decision making. In addition, other (separate) bodies may provide advisory functions or may act with authority delegated from this body, in order to allow for executive and working level of representation and decision making during the DBT phase.

- b. **Assurance:** The need for assurance will differ depending on the final design of the Switching Programme and the lifecycle stage of DBT (before, during and after testing). A risk-based, progressive assurance approach should support the assurance methodology, a decision on which will be taken when the final design of switching arrangements is decided and the areas of greatest risk are identified. Until then, any of the assurance methods identified in Fig.2 may be relevant for DBT, and Ofgem and DCC may well decide to procure external independent assurance for the programme. A detailed assurance plan for the DBT phase will need to be drawn up in good time to allow the assurance providers to be procured ahead of commencement of that phase.
 - c. **Programme Management:** Provision of Programme Management activity and the PMO role which is currently proposed to be delegated to DCC for the DBT phase.
 - d. **Incentives:** Changes to regulatory obligations to ensure that industry parties are fully engaged throughout the DBT phase and committed to its delivery may be considered as part of the ongoing work of the Switching Programme.
54. Final decisions on the structure of the governance, assurance and programme management functions, including which parties will undertake these functions (and the level of independence required for these parties and how this will be guaranteed), will take place once certainty is achieved on the reform package chosen for the programme, with a suitable interval prior to commencement of the DBT phase of the Switching Programme.
55. The DBT Programme Board should be installed sufficiently in advance in order to allow decisions relating to other roles and responsibilities (such as delegation of responsibility) to be resolved in time to ensure a seamless transition without 'gaps' in governance responsibilities between phases.
56. EDAG is invited to comment upon the guidance design considerations set out above.

Appendix 1 – Existing Blueprint Phase Governance Structure

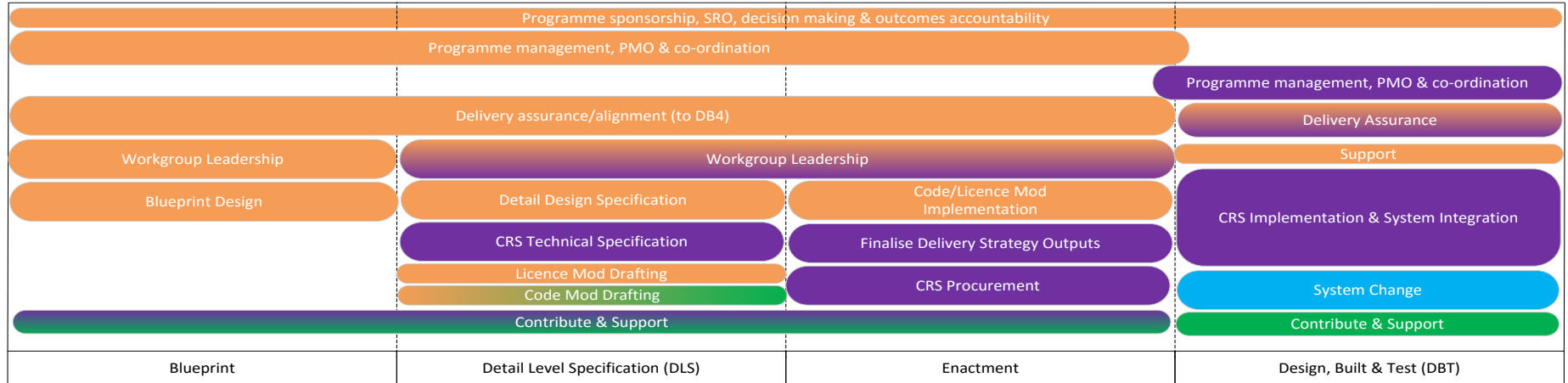


Appendix 2 - Switching Programme - Proposed future delivery roles

Annex 2 - Switching Programme – Proposed future delivery roles



Indicates the lead organisation(s) for the activity who is accountable for delivery & resourcing



Description	Summary & Key Issues
<ul style="list-style-type: none"> Ofgem remain responsible for and lead (with industry support) detail design. Delivery responsibility for CRS technical specification, procurement & completion of Delivery Strategy outputs delegated to DCC. Ofgem retain delivery responsibility for and lead and co-ordinate code modifications work but delegate the delivery of drafting code changes to relevant code bodies. Workgroups created with industry but led by Ofgem/DCC 	<ul style="list-style-type: none"> Responsibility for CRS specification and transition falls to the body responsible for its procurement & operation. Ofgem retain control of code modification work but changes are delivered by industry. Requires code body acceptance to take on activity Increased effort to ensure co-ordination & alignment of activity in DLS

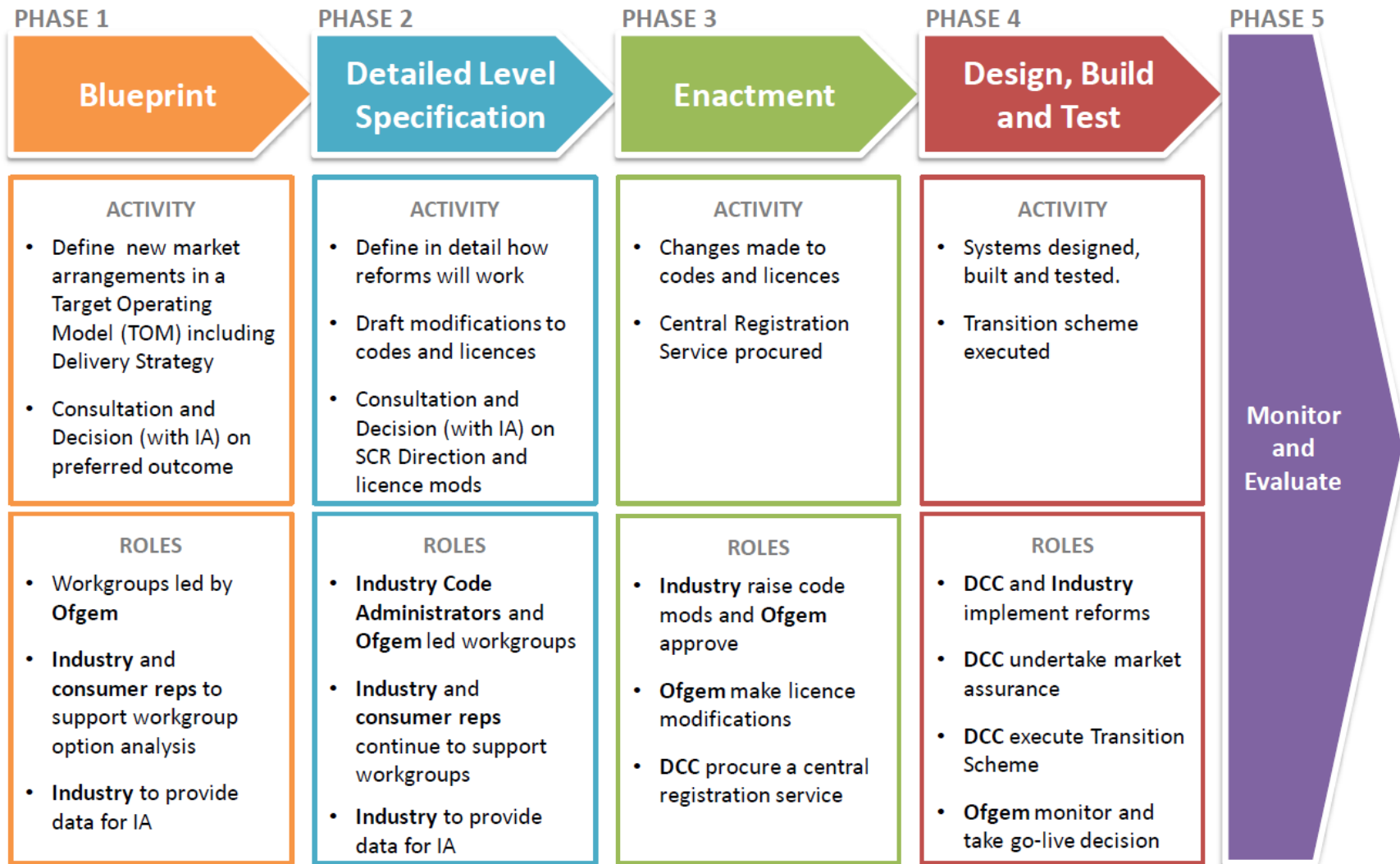
Activity	Ofgem	DCC	Code Admin	Industry	SRO/Programme Board / Design Authority
Delivery Assurance/Alignment	R	C I	C I	I	A
Planning & Programme Management ¹	R	C	C	I	A
Detail Design Specification	R	C S	C S	C S	A
CRS Technical Specification	C S	R	C S	C S	A
Code/Licence Mod Specification & Drafting	R	C S	C S	C S	A
Code/Licence Mod Implementation	R	C S	C S	C S	A
Finalise Delivery Strategy	C S	R	C S	C S	A
CRS Procurement	C I	R	I	I	A
CRS Implementation	S I	R	S I	C I	A

R – Responsible A - Accountable² C – Consulted S – Support I- Inform

¹ - Planning & Programme Management Responsibility transfers to DCC for DBT Phase.

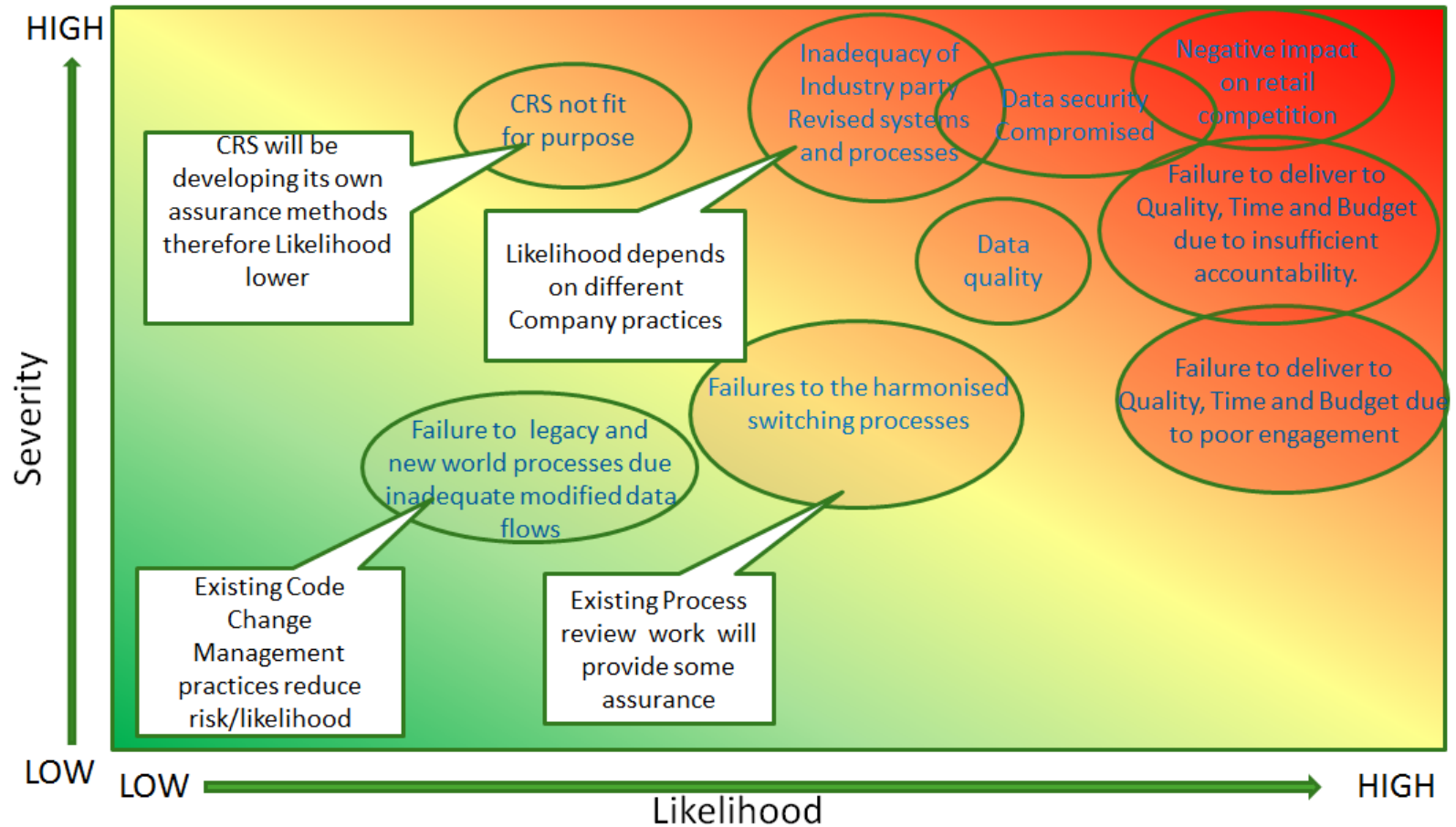
² - Accountability for overall programme, R indicates responsibility for delivery and accountability to SRO

Appendix 3 – Switching Programme phases of work



Appendix 4 – Programme Risk Heat Map

Assurance Top Level Risk - what is it protecting?



! UG confirmed the risks and relative positions and the potential political and social implications for Faster Switching.
! UG confirmed a low willingness to accept risk, i.e. the need for a robust independent governance and assurance approach was essential.

Appendix 5 – Assurance Options - Strengths and Weaknesses

Options	Strengths	Weaknesses
Existing Code	<ul style="list-style-type: none"> • Largely independent • Experienced assurance practitioners • Skill and resource flexibility (can be sourced) • Cheaper than procurement • No procurement timescales • Transparency 	<ul style="list-style-type: none"> • Possibly reduced confidence because of Nexus • Could be influenced by Code Panels/Chairs
Cross Code	<ul style="list-style-type: none"> • Largely independent • Experienced assurance practitioners • Skill and resource flexibility (can be sourced) • Cheaper than procurement • No procurement timescales • Transparency 	<ul style="list-style-type: none"> • Possibly reduced confidence because of Nexus • Could be influenced by Code Panels/Chairs • Potential multiple assurance bodies, could lead to coordination / duplication issues • Inadequate Gas Assurance Model
Procured	<ul style="list-style-type: none"> • Fully Independent • Missed opportunity for external perspective of solution • Likely to be highly skilled at Assurance (procurement can specifically choose who) • Delivers highest confidence level 	<ul style="list-style-type: none"> • Delivery costly compared with conducting in-house • Procurement effort/costs/funding/who (SEC?) • Potential lack of ownership – contract driven • Contractual monitoring & performance management – who does this? • Timing is critical

Appendix 6 – Incentive Considerations

Option	Description	Pro	Con
Regulatory Obligation(s)	Includes legislative, licence, and/or code obligation(s) Enforcement action would be the ultimate sanction by Ofgem with fines and Ofgem Orders	<ul style="list-style-type: none"> • Drives behaviours before failures occur • Objective certainty, tying parties together in order to achieve a common goal • A mandate to act to ensure that all parties act with the same level of determination and urgency 	<ul style="list-style-type: none"> • Depending on the degree of detail, it could restrict different approaches being adopted that could better secure the goal or lead to unintended consequences.
Defer to Commercial Interest	Relies upon suppliers being exposed to customer losses at go-live whilst not being able to gain any new customers	<ul style="list-style-type: none"> • No regulatory action required, relies on a natural incentive to act • Impacts on company bottom line, depending on customer acquisition approach 	<ul style="list-style-type: none"> • Could have consequential effects on other market participants • Does not support customers, rather could work against Faster Switching objective
Name and shame	Transparent reporting on progress, e.g. parties not hitting milestones named	<ul style="list-style-type: none"> • Brand risk could drive behaviours • Could be tackled at programme quality gates, e.g. failure to meet a deliverable 	<ul style="list-style-type: none"> • Could impact on some more than others • Might be difficulties identifying the transgressor(s) in a timely manner to be effective • Might be too slow a mechanism for a practical application during the DBT Phase
Apply Financial Penalties	Embedded fines, customer compensation obligations (e.g. next day switching failures), and liquidated damages	<ul style="list-style-type: none"> • Customer compensation plays well to the customer protection agenda • Could be enduring post Go Live 	<ul style="list-style-type: none"> • liquidated damages can be difficult to prove • Can be less helpful where large scale multi-party interactions can muddy the audit trail for accountability
Embed within Contracts	Financial levers built into the procurement for the CRS provider to incentivise delivery	<ul style="list-style-type: none"> • Can be targeted to secure particular outcomes • Can only be applied to those where contracts exist, e.g. not 	<ul style="list-style-type: none"> • Contract negotiations which can be cumbersome • Problematic in terms of potential for ultimate redress via court

		suppliers	proceedings
Secure Senior Level Engagement	Top / down level engagement	<ul style="list-style-type: none"> • Could ensure the right focus is brought to bear within individual organisations, at a time of significant market reform and competing priorities • Provides a means by which Switching Programme success is tied into the highest level within organisations 	<ul style="list-style-type: none"> • Unless properly managed within the governance approach, could be burdensome for senior stakeholders • Does not guarantee success as it depends on how this is translated on the ground within the Switching Programme
Driving Accountability	Written undertakings signed by a named responsible senior officer from each organisation as progress is made	<ul style="list-style-type: none"> • Provides a documented means to drive Switching Programme aims and objectives • Could provide clarity on organisational progress against key milestones/quality gates 	<ul style="list-style-type: none"> • Undertakings can be administratively complex to implement e.g. tailored to differing company obligations • Might duplicate/conflict with Assurance mechanisms being designed for DBT