SUMMARY POLICY PAPER – FOR DA INFORMATION

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Summary

1. Irrespective of which reform package is chosen, the Switching Programme will prompt substantive changes to the governance framework, incorporating both licences and industry codes. As the Target Operating Model (TOM) proposed that the DCC would be responsible for the procurement of the Centralised Registration Service (CRS)[1], it was logical to assume that the governance of the CRS would sit within the Smart Energy Code (SEC) alongside existing DCC services. This could also provide opportunity to rationalise some of the associated governance which sits in other industry codes which unlike the SEC are not dual fuel.

2. However, given the level of uncertainty as to the exact scope of the CRS and the consequential impacts on other aspects of the switching and wider retail arrangements, the Regulatory Design Team (RDT) was tasked with capturing existing and future business and regulatory requirements and carry out an assessment of the most appropriate governance framework for them. Whilst the SEC therefore remained an option, the RDT was encouraged to fully explore alternatives, including minimal change to the existing codes. Developments in other areas such as the implementation of the CMA remedies have also fed into this thinking and challenged previous assumptions.

3. RDT Product 3 (annexed to this document) sets out the high level assessment the group made of each of the governance framework options. Each of the three leading options involved the development of a Retail Energy Code (REC), either to be complementary to the SEC and governing only those switching arrangements that would be out-of-scope of the CRS, or to capture both the CRS and wider switching arrangements. We therefore propose to continue the work of the RDT on the basis that it is likely a new REC will form part of the regulatory and governance framework.

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[1] The CRS includes the Central Switching Service (CSS) and Market Intelligence Service (MIS). The term CRS is preferred within the Procurement Framework as it is a more generic term to cover a range of procurement activity within the Programme. Note that DCC may also be required to procure other services, for example a Systems Integrator.

4. The benefit of adopting this working assumption now is that it would allow the work of the RDT to proceed while key decisions on the system solution and associated reform package remain outstanding. The ability to draft from a blank page will allow for the appointment of dedicated legal resource to produce the licence and code drafting, rather than rely upon fragmented and potentially conflicting modification procedures. We consider that this will both de-risk and expedite this area of the programme. We also consider that the development of a REC could facilitate any of the reform packages, but would not preclude a different governance model being chosen at a later date if appropriate. For instance, revised drafting of the switching arrangements could be adapted to form a discrete schedule of an existing code rather than of itself form a new REC.

Summary of key points from stakeholders

5. Given the potential deviation from the TOM, we shared the RDT output on product 3 with the Programme Board ahead of it being discussed more widely with the Regulatory Design User Group (RDUG). The Board supported the rationale behind the RDT recommendation and considered it to be consistent with the wider work being undertaken on licensing and code governance.

6. At its meeting of 17 Oct 2016, the RDUG accepted Product 3 as being complete and was generally supportive of the RDT recommendation. The group also supported our proposed way forward, though some members noted their expectation that the final decision on the chosen governance model would be subject to formal consultation. However, it was agreed that the forthcoming request for information (RFI) may not be the suitable vehicle this given its emphasis on cost-benefit analysis, which was felt unlikely to be a determining factor in deciding between governance models. Members also expressed a wish to be fully engaged with the development of the new governance arrangements. It was expected that this would involve more regular updates than have been necessary to date, albeit these may take the form of emails and requests for comment on written output, rather than face to face users group meetings.

7. The EDAG supported the rationale behind the paper. However, there was a concern that a REC may prove to be disproportionate if the programme adopts a minimal reform strategy, as that would suggest maximising use of existing systems and associated governance. Ofgem's view was that the required changes for Reform Package 1 could be made in existing code structures but could also be delivered in a new REC. This was consistent with our proposal to take a final decision on code governance later in 2017. EDAG also agreed that it was not necessary to include this within the scope of the RFI. It was also noted that there may be drivers for such code reforms from outside of the programme.

Next steps

8. The original intention of the RDT was for its output to feed into and be consulted upon as part of the RFI as part of design baseline 1 (DB1). However, as the governance framework will be dictated in large part by the chosen solution architecture and operational requirements rather

than discrete cost consideration, we do not intend to consult on governance options within the RFI. Instead, we will set out within the RFI a short commentary of progress to date and the way forward, with a final decision to be consulted upon and taken later in 2017 once the choice of solution architecture is known.

9. The RDT will continue to develop business rules stemming from the work of the Business Process Design Team. These will in turn form instructions for the legal drafting.

10. We intend to procure dedicated legal resource through the Ofgem procurement framework, with the RDT forming part of the assessment panel for tenders. We hope that the RDT members will be able to maintain their support into 2017/18, with the group continuing to act in an advisory capacity to the appointed lawyer(s), and as quality control for their output.

11. The procurement of this dedicated legal resource is contingent upon the agreement of industry parties to fund this work. Given that suppliers will be the main industry beneficiaries of the revised arrangements, we have written to the MRA and SPAA executive committees asking for their assistance in facilitating this.

12. We anticipate that the first tranche of drafting may be available autumn 2017 and potentially set out obligations pertaining to the transitional period of the programme. However, it is likely that drafting will be an iterative process and open to refinement through to the build and test phase.

13. Once the new drafting has been established, Ofgem may direct consequential modifications to the existing industry codes pursuant to its Significant Code Review powers. Depending upon the final scope of the REC, these modifications may remove redundant provisions and/or incorporate by reference those provided for elsewhere, having the effect of streamlining overall retail governance.

Product 3 – Potential Governance Options for Faster, More Reliable Switching

1. Purpose

This product describes the identified high-level governance options for the new switching arrangements, including the approach taken by the Regulatory Design Team to develop and assess the long list of options. The outputs from the Regulatory Design Team's early assessment has helped identify a short list of preferred options proposed for inclusion in the Request for Information (RFI) as part of Design Baseline 1 (DB1) for consultation with the industry. Following the RFI, the preferred option(s) will be further assessed and developed for the chosen solution architecture and operational requirements.

2. Assumptions

Given that the design and content of the different building blocks of the solution architecture for the Central Registration Service (CRS) is still evolving, the development and initial assessment of the identified governance options have been based on a number of working assumptions, described in Table 1. As such, the assumptions will need to be revisited as the Programme progresses.

Term	Initial Assumptions
Central Registration Service (CRS)	**Service/Database**: A discrete service or database, holding the minimum data elements needed to deliver a switch. This is assumed to include; • Address (PAF/UKRN); • Meter Point (MPAN/MPRN/RMP/Supply Point); and • Supplier ID. **Users:** A CRS User is assumed to be a party who has responsibilities for data within the CRS and transacts directly with the CRS. It is expected that the primary CRS Users will be Suppliers and Network Operators although there may be a case for other participants who may be permitted to input data such as Shippers. However, this will depend on the data held on the CRS.
Market Intelligence Service (MIS)	**Service/Database**: A discrete service or database holding additional data elements needed by Suppliers and other agents to deliver a switching. These may include information on; • Meter Type; • Meter Configuration; • Green Deal; • Auxiliary Load Control; and • Additional elements as require, including reporting. **Users:** The MIS User community is expected to encompass a wide range of entities, e.g. third party intermediaries. It is assumed that whilst all CRS Users are entitled to be MIS Users, not all MIS Users will be entitled to be CRS Users. Consequently, MIS Users will comprise both licenced and non-licenced market participants.
Switching Arrangements (SA)	Refers to all dual fuel processes and agreed procedures market participants need to comply with in order to facilitate a switch. Switching is considered an element of retail arrangements. As such, references to switching arrangements are assumed to exclude other retail processes.

Table 1: Initial Assumptions

3. Long List of Potential Governance Options

Table 2 provides a high-level description of the potential governance options for faster, more reliable switching and the assumptions underpinning these options.

Option	Activities	Code Destination	Description and Assumptions
A	CRS and switching arrangements (including MIS)	SEC	As per the Target Operating Model (TOM), in this option the CRS and switching arrangements (including the MIS) would be contained in the Smart Energy Code (SEC). Since this option does not consolidate all retail arrangements, it is assumed that some supporting elements of the switching process or residual system requirements are likely to be retained in existing legacy codes and therefore will need to be linked to the SEC Existing arrangements for legacy meters would either be removed (if redundant) or moved from the affected legacy codes. It is expected that MRA and SPAA will be mostly affected whilst only a small proportion of the UNC would be moved to the SEC.
B	CRS Switching arrangements (including MIS)	SEC Remain in the SPAA/MRA/UNC/BSC/DCUSA,. with a schedule to cover the points that apply to both fuels	This governance option would keep switching provisions in an amended form in current codes with minimal changes to the SEC to include the CRS functional service requirements. The SEC would only contain the functional service requirements for the CRS. Switching arrangements for legacy meters would remain separate for gas and electricity. Current codes would need to be updated to ensure appropriate links exist between them and the CRS provisions in the SEC.
C	CRS Switching arrangements (including MIS)	SEC New Retail Code that consolidates the relevant sections of SPAA/MRA/UNC/BSC/DCUSA.	Under this option, a new retail code would be established which would consolidate all switching and retail arrangements from existing legacy codes. The SEC would only contain the functional service requirements for the CRS. This would mean a movement to dual governance in some ways, but is similar to the Alt Han solution for smart metering where most of these provisions are contained in SEC Section Z (Alt HAN Arrangements).

D	CRS Switching arrangements (including MIS)	New Retail Code that consolidates the relevant sections of SPAA/MRA/UNC/BSC/DCUSA	This option consolidates the CRS, retail and switching arrangements (including the MIS) from existing codes under a new 'Retail Code'.
E	CRS Switching arrangements (including MIS)	SEC Use an existing code such as MRA or SPAA as the destination for a new Retail Code	Under this governance option, CRS functional service requirements would be contained in the SEC, while all retail and switching arrangements (including MIS) would be moved, either from day one or over time, from existing codes to a host code. This option evolves an existing single fuel code to become a dual fuel code which holds all retail arrangements. This could be seen as a variant to Option C.
F	CRS Switching arrangements (including MIS)	New CRS code Remain in current codes	This option creates a new, bespoke code for the CRS with all other switching arrangements, (including the MIS) being contained in existing codes. Existing codes would need to be cross referenced to the new code. Given that the SEC already provides the commercial arrangements for DCC services the new code would need to contain appropriate references SEC. Switching arrangements for legacy meters would remain in single fuel codes and with smart arrangements being contained within the SEC.

Table 2: Long List of Potential Governance Options

4. Option Identification and Initial Assessment

4.1 Approach and Assessment Framework

The Target Operating Model Version 2 (TOM v2.0)[1] recommended that the new switching arrangements be contained in the SEC with some supporting elements of the switching process likely to be retained in the current 'legacy codes'. The consolidation of other elements of codes were excluded from the scope of the TOM v2.0. However, since the publication of the TOM v2.0, the Competition and Markets Authority (CMA) has concluded its energy market investigation which has placed a different perspective on the original assumptions. To test the veracity of the original assumptions in light of the changing regulatory landscape, a wide range of alternatives were explored for the new governance framework, including the possibility of consolidating other retail arrangements.

A long list of six potential governance options for the new switching arrangements was developed and refined through discussion with the Regulatory Design User Group (RDUG). To identify the preferred options from this long list, each option was assessed against a subset of the Switching Programme's design principles (design principles 5-10) which cover:

- Impact on industry: competition, design simplicity, robustness and flexibility; and
- Impact on delivery, solution costs and benefits and implementation.

Design principles 1-4 were excluded from this assessment as these were not found to be applicable to code governance. The design principles chosen as selection criteria were adopted to ensure these cover a range of aspects of code governance.

Given that much of the detail underpinning the governance options is still unknown at this stage of the Programme, a generic rating classification was adopted for this initial assessment of the options, as shown in Figure 1 below.
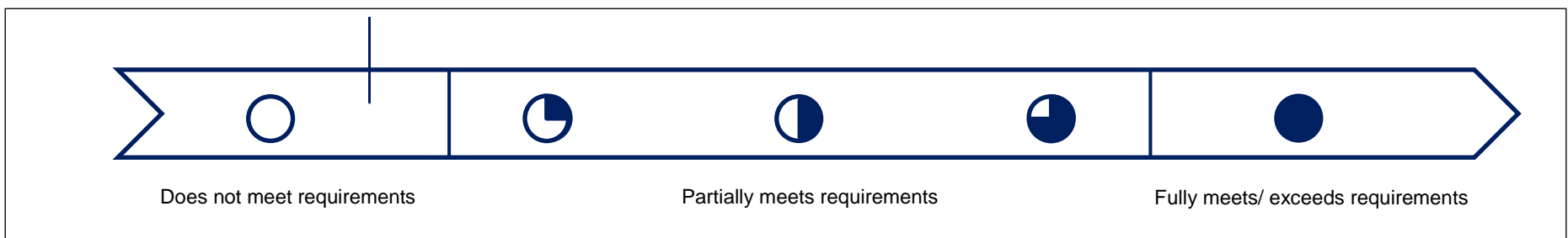

Does not meet requirements   Partially meets requirements   Fully meets/ exceeds requirements

Figure 1: Rating Scale

The scoring and initial analysis of the different options was undertaken individually by the Regulatory Design Team (RDT) and the results compared and discussed to ensure different perspectives were considered in producing a consolidated early assessment of the options. To enable the calculation of an average score for each option, each generic rating has been assigned a numerical value, as shown below:

 10 points; 7.5 points; 5 points; 2.5 points; 0 points.

Since all decision criteria is considered equal no weighting was applied. Section 4.2, the "overall score" means the average score for each governance option: SUM (Criterion Rating / 9).

Each option has a commentary in [Section 4.3] in support of the ratings in [Section 4.2]. Whilst the Design Team individually scored each option, these scores were consolidated into the framework described above as part of a moderating debate. The Design Team concluded that publishing of detailed scores may infer a preference for one option over the other short listed proposals that is not intended at this stage of assessment. The Design Team was satisfied that this exercise has identified a short list that provides the suitable options for consideration in the consultation.

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[1] Source: https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/tom_v2_final_17112015_0.pdf

4.2   Summary of Initial Assessment

	Option A	Option B	Option C	Option D	Option E	Option F
	CRS and SA contained in the SEC	CRS (SEC) and SA remain in current codes	CRS (SEC) and SA contained in a new retail code	CRS and SA contained in a new retail code	CRS (SEC) and SA contained in a retail code, built on an existing code	CRS contained in a new CRS code and SA remain in current codes
Overall Score	◑ half	◑ half	◕	●	◕	◔

Evaluation Criteria[2]			Assessment			
(5) Competition — *Do the governance arrangements pose any barriers to entry?*	◑	◑	●	●	●	○
(6a) Design Simplicity — *How simple would it be to design and implement governance arrangements?*	◑	◕	◕	◕	◑	◔
(6b) Design Simplicity — *Do the governance arrangements raise other issues that impact the wider industry that would negate its simplicity?*	◑	◕	◕	◕	◑	○
(7) Robustness — *Does the governance arrangement deliver: clear accountability of roles and responsibilities?*	◕	◔	◕	◕	◕	○
(8) Flexibility — *Is the governance arrangement able to adapt and flex, in a timely manner, with a changing environment?*	◑	◔	◕	●	◕	◔
(9a) Solution Costs - Development and Implementation — *What are the likely or related costs of developing and implementing each governance option?*	◕	●	◕	◔	◕	◔
(9b) Solution Costs - Code Changes — *Does the arrangement minimise the cost of change?*	◕	◔	◕	●	◕	◔
(9c) Solution Costs - Enduring — *Can the arrangement provide for efficient running costs?*	◑	◔	◕	●	◕	◔
(10) Implementation — *How long would each solution take to implement? Does timing of implementation make the option prohibitive?*	◑	◕	◑	◑	◑	◔

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[2] The evaluation criteria are based on to the Switching Programme design principles 5-10.

4.3 Initial Assessment

Option A *CRS and SA (SEC)*	Option B *CRS (SEC) and SA (Current Codes)*	Option C *CRS (SEC) and SA (new Retail Code)*	Option D *CRS and SA (new Retail Code)*	Option E *CRS (SEC) and SA (Build a Retail Code from an existing Code)*	Option F *CRS (new CRS code) and SA (Remain in current Codes)*
(5) Competition					
Do the governance arrangements pose any barriers to entry?					
General Principle: A quantitative measure of any potential "Barrier to entry" could be the locational diversity of the relevant regulations and rules. Therefore, single source arrangements score highest.					
Pros: Consolidates switching arrangements for smart and legacy meters under one, existing dual fuel code. This should reduce some unnecessary duplication and inconsistencies across codes, improving their accessibility for new and existing market participants.	**Pros:** Compared to the other options, this option should require least amount of consequential changes to codes and licences.	**Pros:** Except for CRS, this option consolidates switching and retail arrangements for smart and legacy meters under one, new dual fuel code. This will lead to a reduction in the number of codes market participants need to comply and engage with, thus leading to a significant reduction in regulatory burden and costs.	**Pros:** Consolidates all switching and retail arrangements, including the CRS, for smart and legacy meters under one, new dual fuel code. This will lead to a reduction in the number of codes market participants need to comply and engage with, thus leading to a significant reduction in regulatory burden and costs.	**Pros:** Similar to Option C.	**Pros:** N/a
Cons: Does not consolidate all retail arrangements and reduce the number of codes market participants need to comply and engage with. There may therefore be residual systems requirements and supporting elements of the switching process in current 'legacy codes' which will need to be linked with the SEC. For example, the CRS interface with non-switching industry systems (e.g. Settlements) may mean that those bodies will need to become SEC Parties as well as Parties to 'legacy codes'. This will add another layer into cross code issues. In the short to medium term, consequential code and licences changes could pose additional challenges and complexities, in particular on new entrants and existing independent suppliers.	**Cons:** Does not reduce the complexities of current governance arrangements. Maintaining CRS, switching and retail arrangements across multiple codes makes it more difficult for market participants to navigate across and engage with the energy market in the long term.	**Cons:** CRS would be contained in a separate code to the switching arrangements and MIS which could make it more difficult for market participants to navigate across and engage with the energy market. In the short to medium term, consequential code and licence changes could pose challenges and complexities, in particular to new entrants and existing independent suppliers.	**Cons:** In the short to medium term, consequential code and licences changes could pose challenges and complexities, in particular to new entrants and existing independent suppliers.	**Cons:** Similar to option C.	**Cons:** Increases regulatory burden and costs to new and existing market participants due to the creation of an additional code in the long term.

(6a) Design Simplicity

How simple would it be to design and implement governance arrangements?

General Principle: Implementation difficulty will be measured by an assessment of the volume of change effected on the regulated codes and agreements. Therefore, amending existing codes will score highest.

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
This option is believed to be moderately simple to design and implement as it would involve one destination code. Existing governance and funding arrangements could be used for carrying out the required work.	Existing governance and funding arrangements could be used for carrying out the required work.	The design and implementation of a new code should be relatively straightforward compared to modifying existing codes and progressing relevant modifications under each code's change process, where Ofgem's decision would be required for each code modification.	It would be cleaner to design and implement a new code compared to modifying and implementing a consistent change across impacted 'legacy codes'.	Existing governance and funding arrangements could be used for carrying out the required work.	N/a
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
There may be residual systems requirements, and supporting elements of the switching and retail processes which will need to be modified in current 'legacy codes'. Therefore, close cross-code collaboration is still expected to be required.		The development of a new code would require the establishment of a procurement vehicle/function for carrying out the work, including licence modifications. More complex than option D as it would involve two destination codes. A transition programme would be required to unwind provisions from existing codes and licences.	The development of a new code would require the establishment of a procurement vehicle/function for carrying out the work, including licence modifications. A transition programme would be required to unwind provisions from existing codes and licences.	Would need to be re-constituted as a dual fuel code with new signatories. More complex than option D as it would involve two destination codes. A transition programme would be required to unwind provisions from existing codes and licences.	The development of a new code would require the establishment of a procurement vehicle/function for carrying out the work, including licence modifications.

(6b) Design Simplicity

Do the governance arrangements raise other issues that impact the wider industry that would negate its simplicity?

General Principle: The place where any negative aspects of the option are listed – those with the most / most significant negative features scored lowest

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
The option is not believed to raise other issues that impact the wider industry.	The option is not believed to raise other issues that impact the wider industry.	Consolidation of all switching and retail arrangements leads to wider industry benefits, i.e. reducing unnecessary duplication and complexity across codes.	Similar to Option C and E. In addition, there is the potential for broader options for CRS and MIS providers.	Similar to Option C.	N/a
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
The SEC's objectives and governance arrangements would need to be amended to reflect the incorporation of switching arrangements for legacy meters. The consolidation of switching arrangements under this option does not guarantee harmonisation across codes as gas and electricity variations are likely to remain.	Most unlikely to achieve harmonisation as gas and electricity variations will remain in single fuel codes.	Involves multiple codes which adds complexity to the market.	A DCC procured CRS governed by the retail code could lead to dual governance issues.	Involves multiple codes which adds complexity to the market.	The creation of an additional code adds unnecessary complexity to the energy market.

(7) Robustness

Does the governance arrangement deliver: clear accountability of roles and responsibilities?

General Principle: This criterion will be used to highlight examples of where dual governance, both in terms of where changes may need to be effected across more than 1 code and where a change in a code(s) could require delivery in another code could occur; consequently, single code options will score highest

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
Relatively robust as it consolidates CRS and = switching arrangements under one code. This should facilitate robust governance and lead to more effective decision making with regards to switching.		Robust option as it consolidates all switching and retail arrangements (except CRS) under one, dual fuel code. This should facilitate robust governance and lead to more effective decision making. Arrangements are more transparent and accessible to market participants than Options 2 and 6.	Most robust option as it consolidates CRS, switching and retail arrangements and systems under one, dual fuel code. This should facilitate robust governance and lead to more effective decision making. Arrangements are more transparent and accessible to market participants than the other options.	Similar to Option 3.	N/a
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
The scope of the SEC will need to be amended and therefore the detail of the roles and responsibilities held under the governance of the SEC will need to be amended. This is because the objective of the SEC is DCC and smart metering arrangements and therefore retail operations beyond communicating with smart meters has not been previously contemplated as suitable for SEC content, There may be residual systems requirements and supporting elements of the switching process in current codes which need to be linked with the SEC. This could add some complexity to the market.	Switching, retail and systems requirements are contained in multiple codes. This could lead to divergent governance arrangements and other multi-governance issues. The governance arrangements and system are contained in separate codes, which could lead to dual governance issues and does not reduce the complexities of the current governance arrangements	The CRS arrangements would be contained in the SEC, whilst the switching and retail arrangements would be contained in a retail code. This could lead to dual-governance issues in the long term.	In the event of a DCC procured CRS, the DCC would need to become a signatory to the new code and therefore make them party to a code they would otherwise not.	Similar to Option C	Switching, retail and systems requirements are contained in multiple codes. This could lead to divergent governance arrangements and other multi-governance issues.

(8) Flexibility

Is the governance arrangement able to adapt and flex, in a timely manner, with a changing environment?

General Principle: Flexibility will be measured by looking at the number of codes that could be affected by a change – single source arrangements will score highest.

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
Including the CRS and switching arrangements in a single code with enable changes to these arrangements to be progressed in a timely manner		This option is believed to be relatively flexible to adapt to future change. All retail, switching and most of the retail systems requirements (except for CRS) would be governed under one, single code. .	This option is believed to be relatively flexible to adapt to future change. All retail, switching and systems requirements would be governed under one, single code.	Same as for Option D3.	
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
If the CRS is embedded within the DCC infrastructure, then it will need to comply with rigorous security and testing requirements. This could make the overall governance option inflexible to adapt to future change.	The option is believed to be relatively inflexible in adapting to code modification, including system changes due to multi-level governance. In addition, maintaining harmonisation across electricity and gas may be challenging in the long term due to multi-level governance arrangements.	The CRS arrangements would be contained in the SEC, whilst the switching and retail arrangements would be contained in the retail code. This could lead to dual-governance issues. As such, this Option could be less flexible in adapting to future change compared to Option D.		Same as for Option C.	The option is believed to be the least flexible due to the creation of an additional code. The CRS arrangements contained in the CRS code could lead to multi governance issues.

(9a) Solution Costs – Development and Implementation

What are the likely or related costs of implementing each governance option?

General Principle: Implementation costs are a function of the degree of change – low impact options, (such as amending existing) will score highest, whereas setting up new codes will score lowest.

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
The costs for developing and implementing the required governance arrangements are expected to be lower than Option 3, 4 and 6 as it does not require the creation of a new code, which is believed to be costlier to implement due to higher start-up costs.	This "do the minimum" option is expected to have the lowest costs for developing and implementing the new switching arrangements.	industry benefits arising from consolidation of retail and switching arrangements are expected to outweigh any costs associated with the development and implementation of the governance option in the medium to long term.	Same as for Option 3.	The initial outlay for the development of a retail code from an existing code is expected to be lower than for Option 3 and 4, as existing governance arrangements could be used for carrying out the required work.	
Cons:	**Cons:**	**Cons:**	**Cons**	**Cons:**	**Cons:**
		The start-up costs for a new code are anticipated to be higher than evolving a retail code from an existing code.	Same as for Option 3.		This option incurs costs associated with the development of a new code, and the implementation of the new switching arrangements into current codes.

(9b) Solution Costs – Code Changes

Does the arrangement minimise the cost of change?.

General Principle: Changes costs have been assessed by looking at the number of codes that would need to be modified to effect a change. Therefore, fewest codes changed results in highest score.

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
		The consolidation of codes and code services should provide cost savings to the industry in relation to code changes**.**	This option provides for the greatest amount of consolidation and therefore, offers the most cost savings to the industry in relation to code changes.	Same as for Option C..	
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
There is no code consolidation and therefore the solution is not likely to minimise the industry's costs of change. There are expected to be residual systems requirements and supporting elements of the switching process in current codes, linked to the SEC.	There is no code consolidation and therefore the solution is not likely to lead to a decrease in the industry's costs of change.				The establishment of an additional code is expected to increase costs of change for the industry as the option creates an additional process for progressing industry change.

(9c) Solution Costs – Enduring Costs

Can the arrangement provide for efficient running costs?

General Principle: Given that each code requires a code administrator, whiteout looking at the admin costs for each code, (also very difficult for new REC), efficient running would also seem to be a function of the number of codes and hand-offs required to effect change.

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
		The overall costs for the industry are expected to decrease as a result of the consolidation of switching and retail arrangements under one code. Although the option is less consolidated	The overall costs for the industry are expected to decrease as a result of the consolidation of switching and retail arrangements under one code. The solution will lead to fewer 'legacy codes'.	Similar to Option C.	N/a
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
Although switching arrangements (including CRS and MIS) would migrate to the SEC, the overall governance costs on the industry are unlikely to decrease as this solution does not lead to code consolidation.	This solution introduces minimal change and therefore is not expected to lead to changes	Increased scope and remit of the SEC is expected to lead to increased operational costs		Similar to Option C.	The introduction of an additional code would lead to an increase in overall governance costs on the industry. .

(10) Implementation
How long would each solution take to implement? Does timing of implementation make the option prohibitive?
General Principle: All solutions are believed to be able to be developed and implemented within the timescales of the Programme. However, the time to implement each solution would be a function of the number of codes involved. Therefore, the constitution and unwinding of provisions from existing codes and licences is believed to be lengthier than amending existing codes. Higher scores mean shorter implementation timescales.

Pros:	Pros:	Pros:	Pros:	Pros:	Pros:
Existing governance and funding arrangements could be used for carrying out the required work.	Same as for Option A and E.	.		Same as for Option A and B.	
Cons:	**Cons:**	**Cons:**	**Cons:**	**Cons:**	**Cons:**
There may be residual systems requirements and supporting elements of the switching process in current codes which need to be linked with the SEC. This could make the drafting and implementation of code changes more complex. This option will lead to a new integrated model which may require user compliance testing of switching arrangements under the SEC.	Although this option is believed to have the shortest implementation timescales, multiple destination codes for switching arrangements make it challenging to implement a consistent change and Ofgem's decision would be required for each modification. System integration testing is likely to be required for the new DCC procured system to ensure its interoperability with the requirements and other systems governed by the 'legacy codes'.	Would require the establishment of a new procurement vehicle/ function to carry out the required work. This is likely to result in a longer implementation lead time compared to Options A and B. There will also be work required to determine the scope and content beyond CRS and switching provisions, e.g. boiler plate and governance processes. System integration testing is likely to be required for the new DCC procured system to ensure its interoperability with the requirements and other systems governed by the retail code.	Would require the establishment of a new procurement vehicle/ function to carry out the required work. This is likely to result in a longer implementation lead time compared to Options A, and B There will also be work required to determine the scope and content beyond CRS and switching provisions, e.g. boiler plates and governance processes. This option will lead to a new integrated model which may require user compliance testing of switching arrangements under the new retail code.	Would need to be re-constituted as a dual fuel code with new signatories. This would include the selection of the most appropriate code to host the consolidated switching arrangements, including engagement of stakeholders which are not currently parties to the selected hosting code. System integration testing is likely to be required for the new DCC procured system to ensure its interoperability with the requirements and other systems governed by the retail code. This is likely to lead to longer implementation timescales compared to other options.	Would require the establishment of a new procurement vehicle/ function to carry out the required work. The scope of the new CRS code is likely to be more discreet than option D and may be easier to implement than D even if it requires the establishment of a new code.

5. Recommendation

Based on the initial assessment, Options C, D and E were the highest scoring options. Given that Option C and E lead to the same governance solution, the only difference being the implementation route, it is recommended that for the RFI the two options are presented as one option with two implementation routes. Since each implementation route has its pros and cons, it is recommended that these are presented in the RFI and further assessed if the option is progressed to the Detailed Level Specification (DLS) phase. Although not drawn out in the above assessment, Option D could also be established through an existing code.

Given the above, it is proposed that Options C/E and D are included in the RFI for the DB1 for consultation and further analysis, alongside Option A. Although Option A did not come out with a high score, the Option was recommended by the TOM and for completeness should be included in the RFI.