

Switching Programme Delivery Group – Meeting 8**1. Welcome and introductions**

RC welcomed all attendees to the eighth meeting of the Switching Programme Delivery Group (SPDG). Norma Wood, the new Critical Friend to the Programme, was introduced. Norma is keen to assist where possible and in order to gain further insights would be happy to speak in confidence with SPDG members who should contact Andrew Amato if they wish to arrange a meeting.

Action log				
Ref :-	Subject		Action due	Action owner
Actions - Ongoing & Carried Forwards				
SPDG 3 – 03	SPDG Agenda	Members to suggest future agenda items as required.	Ongoing	SPDG Members
SPDG7-01	Design Approach	Ofgem to follow up with industry on sequencing and what a desirable sequencing outcome might look like. AD advised that there has not been substantive follow up. The main sequencing work is through Code Governance Reform although AD is still happy to work with stakeholders	Ongoing	Ofgem
Actions - New				
SPDG8-01	Risks & Issues	Closed risks and issues to remain in the Highlight Report for reference	04 July 17	Ofgem
SPDG8-02	TDA	Industry to engage with Ofgem through AD with suggestions for external expertise for the TDA	04 July 17	SPDG members
SPDG8-03	TDA	Ofgem PMO to direct industry towards particular areas of interest	Ongoing	Ofgem
SPDG8-04	Transition Plan	SPDG to contact Andrew Amato with any further questions	04 July 17	SPDG members
SPDG8-05	Industry Meetings	Ofgem to circulate forthcoming meeting dates and topics to be covered	Ongoing	Ofgem
SPDG8-06	Industry Change Progs	Ofgem to review the existing map of all the industry change programmes and keep it up to date	04 July and then Ongoing	Ofgem

2. Programme Update**Highlight Report**

AA updated SPDG on the key aspects of the highlight report. Key achievements, which have increased the overall Programme RAG to Amber, have been the publication of the Direction on DCC Margin and Incentives and the baselined DCC Business Case and aligned high-level plan. Key activities have been mobilisation for DLS, development work on DLS, which started in April and analysis of RFI responses to inform the recommendations for the Reform Packages. SPDG requested that closed risks and issues are not removed from the Highlight report but remain in it for reference.

TDA Update

AA provided SPDG with an update on TDA. The inaugural TDA at the end of March was a 'proof of concept' meeting to consider how TDA will function, its membership and whether it includes the right kind of expertise. Attendees came from the Ofgem Switching Programme, DCC, the external Gas Network and Ofgem's external assurance consultant. The meeting focused on terms of reference and ways of working, the forward work programme and Architectural Principles and Pre-DB2 End to End Design Assumptions. The Ofgem Technical Architect will start in June. Industry

expertise is still being sought and SPDG recognised the difficulty in sourcing this external expertise. AD encouraged industry to discuss this further with him or consider an alternative means of external input to the TDA. RC encouraged industry to attend Design Forums (formerly User Groups in the Blueprint phase) and confirmed that relevant papers will be circulated so that issues are socialised to the broadest audience. SPDG's suggestion of using the Ofgem PMO to direct industry towards areas of particular interest will be taken forward.

3. Transitional Phase Plan

AA walked SPDG through the transitional phase 'high level' plan, which takes the Programme from the design phase through to procurement and contract signature and estimates delivery timescales. AA explained the product breakdown structure for the DLS phase, showing the types of products across the activities and ownership. This helped drive the clarity for DCC when they produced their Business Case by understanding what they need to deliver. AA explained the DLS phase 'plan on a page,' which shows the timelines for the key products, how they interrelate and ultimately the work required over the next year. The plan is challenging, but achievable, due to all the preparatory work undertaken during DLS mobilisation. AA invited SPDG to contact him with any further questions.

There was discussion about the need for the programme to consider code modifications, licence changes and transitional obligations from now until 'go live'. This will be discussed at the next SPDG. There was also discussion about the need for a programmatic approach to testing. Whilst details cannot yet be confirmed, the point was made that industry must be clear in what needs to be done and the timings.

RC confirmed that this is an ambitious plan, based on optimistic assumptions about the extent to which this process can be managed without significant surprises or changes between DB2 and DB3. RC advised that Ofgem intend to have ongoing discussions with industry via SPDG and bi-laterally throughout the process of putting the consultation together. This will ensure that when the consultation is issued in September it will be on the basis that Ofgem will have a clear understanding of industry's view, which will have already been taken into consideration, so that no surprises will be expected in the consultation responses. This should in turn assist with quicker decision-making.

SPDG expressed the importance of being kept up to date with emerging programme progress, in particular to receive the Impact Assessment (IA) and its findings as soon as possible in terms of what the solution will look like. AA confirmed that the programme will circulate all forthcoming meeting dates i.e. EDAG and the topics which will be covered to ensure that industry sends the right representation. SPDG requested that the existing map of all of the industry change programmes be reviewed by Ofgem and kept up to date so that industry have a high level view of ongoing work.

RSC and RC acknowledged concerns expressed by SPDG in terms of availability of information and certainty, industry resource constraint, and the need to see a benefits case. They confirmed that Ofgem have sought to address these concerns by providing a plan and sharing information as the programme progresses. The programme needs industry to mobilise and provide a level of expert engagement and support in getting the design right now. This will ensure that when the high level design is confirmed in January 2018 it can be delivered by industry.

4. DCC Business Case Update

DCC presented a summary of the key changes incorporated in the recently published updated baselined DCC Business Case for the DLS Transitional Phase, including scope and timelines, financials and key risks and opportunities. There was discussion around the level of confidence in achieving the

currently predicted five month time saving at the end of the programme, which is a result of parallel working in procurement and design. There was also discussion around concern originally raised in December 2016 around the risk of stifling innovation due to the requirement to change the design further to receiving the tenders. DCC are about to go out to a mini procurement on a design proving project which it is hoped will support and influence the work of the design workstream and outside the programme are in discussion with Ofgem to look at innovative changes. Ofgem confirmed that 'go live' decision making and activities in relation to testing and implementation will not take place until the solution has been clarified but this will start during the design phase so it can feed into the procurement process and provide the clarity needed to external industry partners. This will be considered further during the pre-design and test phase.

5. RFI Update

TF provided SPDG with an overview presentation of the Impact Assessment (IA) framework and initial thinking on the key elements of the IA as well as the scale of the impacts. The narrative, whilst trying to be indicative, does not relate to specific Reform Packages at this stage but to all of them in general. Whilst conducting the analysis, the difficulty in acquiring useful data from other countries and in comparing other business sectors against the energy market was highlighted. SPDG raised the importance of highlighting the benefits of faster switching to industry as well as to consumers. SPDG recognised the difficulty in distinguishing between things that are instinctively there but hard to model in evidence versus things which are not there as there is no evidence. It recognised that there are benefits but it is difficult to link the evidence to more specific benefits i.e. next day, or two or three day switching. SPDG were keen to ensure that this IA work will include analysis of the likely cost to consumers as well as industry. SPDG highlighted that many of the benefits are contingent on the Switching programme seeing through pro-consumer decisions made so far i.e. better processes for erroneous transfers, so these positions will need to be upheld and implemented.

AW provided SPDG with a presentation (to be circulated after the meeting) which reviewed the information on industry impacts from the RFI analysis, confirming that the data is still at a relatively early stage. Check and challenge sessions have been undertaken with around forty companies to date, with significant variation between supplier information. The data is still being refined and is therefore subject to change. The presentation included a review of the RFI costs estimates, an overview of the drivers to be considered for increasing and decreasing the costs, filling the gaps on supplier costs and policy variations in relation to supplier costs - objection, cooling off and working versus calendar days.

In sum, RC confirmed to SPDG that firstly the costs look considerably higher than in the estimate done around sixteen months ago which had a net present value of £143 million, secondly those costs are largely driven by supplier costs and thirdly the supplier responses are very variable. There is a requirement to review and challenge this, to understand the reasons behind the variations and the level of confidence we can have in the figures produced.

In terms of next steps, there is further check and challenge work to be completed, data refinement and development of the IA. Ofgem will present the policy variations to EDAG on 22 June and obtain industry feedback, with a view to setting out the programme's views on the preferred reform package to EDAG on 19 July. Ofgem will provide a progress update on the RFI to SPDG on 04 July.

SPDG suggested that smaller suppliers should have a longer time to respond so they can submit costs to provide better information as to how this would affect them. RC confirmed that the programme is seeking to acquire better information on the costs to be experienced by smaller suppliers without placing them under any additional burden. RSC reiterated the need to understand

costs better but highlighted that from a programme perspective the Business Case is about the broader benefits to the market that we want to see. The drive is towards a smarter energy market that has a greater customer engagement and greater competition. This is a key feature of the market that is desired in the future and what is driving the programme. The clear priority for the programme is to reform the switching arrangements to make them more reliable and faster.

RSC stated that benefits will be quantified where possible but that large parts of the benefits case will be qualitative rather than quantitative. The programme will take broad account of the full range of benefits (some quantifiable and some non-quantifiable) and make a decision on the chosen reform package based on this. Non-quantifiable benefits will be supported illustrative scenarios, consumer research and economic modelling. SPDG are keen to understand the analysis underpinning the estimate of consumer benefits.

6. Any Other Business

None

7. Next Meeting

Date for next SPDG will be 04 July 2017.

Attendees

Rachel Clark – Ofgem (Chair)
Rob Salter-Church - Ofgem
Andrew Amato – Ofgem
Arik Dondi - Ofgem
Andrew Wallace – Ofgem
Tom Fish - Ofgem
Heather Bignell – Ofgem
Norma Wood – Independent (Programme Critical Friend)
Jane Eccles - DCC
Jonathan Ainley - BEIS
Peter Davies – SEC Panel
Liz Furmedge – SSE
Mark Anderson – SSE
Daniel Walker Nolan - Citizens' Advice
Graham Line – EON
Sharon Johnson – British Gas
Paul Saker – EDF Energy
Douglas MacLaren – Scottish Power
Alison Russell – Utilita
Alan Raper – ENA (gas transporters)
Ardy Elansey - ENA
Linden Partridge - Npower
Chris Hill – ICoSS
Dan Alchin – Energy UK