

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

Meeting 14 – 19 July 2017

Introduction

1. Rachel Clark (RC) introduced the meeting and welcomed EDAG members. A list of attendees is available at the end of this document.
2. Ofgem had received comments from npower on previous minutes, which we will incorporate and publish on the website. Jeremy Guard (JG) said that minutes should also reflect his view that operating a 5WD switch speed and transitioning to end of next working day would increase testing requirements and cost. Ofgem agreed to update the minutes accordingly.

Action: Ofgem

Impact Assessment – Assumptions

3. Tom Fish (TF) presented a summary of the assumptions used in the latest version of the impact assessment. The presentation focused on those that were judged to be the most material or contentious. Feedback was welcomed outside of the meeting. TF said it would be helpful to receive this by 9 August 2017.
4. TF stated that the assumptions were yet to fully reflect the level of uncertainty and risk within the programme. Ofgem is still doing work on this to introduce ranges and sensitivity analysis.
5. The analysis of the expected reliability impacts is heavily reliant on a series of assumptions. TF said that in the upcoming September consultation, Ofgem will set out as much detail on the analysis as possible and will invite input and feedback on the analysis and assumptions adopted. TF invited industry to provide any information or data it has available that might help strengthen the assumptions. In particular, TF requested suppliers to undertake sampling of their registration withdrawals to test the proportion that were withdrawn in order to prevent ETs (other than those linked to contract cancellations).

Action: Industry

6. TF said that there was still a reasonable degree of uncertainty on the impact of the proposed data quality reforms. This is because it is difficult to precisely predict the reduction in unreliable switches before cleansing begins. However, Ofgem's current understanding, based on previous experience of address matching, suggests that the data cleansing as part of the creation of a single address database will be effective. In response to a question from Martyn Edwards (ME), RC noted that work developing proposals for address cleansing and CSS address management is ongoing and, after this work is further developed, Ofgem will be in a better position to assess whether it might be possible and appropriate to seek to use the smart meter rollout as a means of validating address data where other options had not been successful. RC said Ofgem is mindful of the significant cost that formal address validation would add to the already expensive smart meter rollout.

7. TF requested that industry provide data, if they have it, on how much time is spent interacting with consumers during the existing switching process e.g. proportion or number of consumers that make contact with them before the switch is executed.

Action: Industry

8. In response to a question TF did not agree that Ofgem was double counting benefits by including the amount of money customers will save in switching to a cheaper energy deal and the amount of time they will save due to faster switching. He said that these were very different set of benefits for consumers.
9. Clarification was requested on the assumption that 4%-8% of customers would be committed to annual switches in the counterfactual. TF requested that suppliers provide data on the proportion of their customer base that are actively engaged in the market and actively try to avoid going onto the SVT. Joanna Ferguson (JF) highlighted that this is not necessarily an annual process as some fixed deals are for 2 or 3 years fixes. Ofgem welcomed the comment and said that it would consider this further.

Action: Ofgem

10. JG asked if it was reasonable to assume that the Switching Programme costs will go straight to suppliers' bottom line. Ofgem responded that it was not seeking to model how suppliers would respond to a reduction in the average price that will result from increased switching. There are a number of different ways that suppliers could respond (e.g. changing their SVT or fixed prices, accepting lower revenues, or driving efficiencies) and these responses would have a series of knock on effects for a large number of other assumptions. TF explained that though these effects are not being modelled, Ofgem is confident that, due to increasing competition for disengaged consumers, the majority of the benefits of switching would remain with consumers (ie there would be a transfer from industry to consumers). TF said that this position, which is consistent with the CMA's analysis of its remedies, would be set out transparently in the IA.
11. Ofgem is trying to understand the net impact of the programme on consumers, including cost pass-through; it is working with other parts of Ofgem to identify the most appropriate assumption to make for the proportion of costs to industry that will be passed through onto consumers' bills.
12. Paul Saker (PS) questioned if there has there been any assessment on the potential increase in bad debt as a result of the Switching reforms. RC responded that, when previously asked about this industry had indicated that this was not a significant concern. If rapid switching to avoid paying bills was to emerge as a real issue then tools would exist to deal with it. For example, the standstill period could be maintained or extended and this would be preferable to delaying the switch upfront. Ofgem would need input from industry over time to understand if a problem with bad debt as a result of rapid switching was emerging. This analysis would need to take into account the current ability and behaviour of customers in switching regularly.

Impact Assessment

13. TF provided an update on the impact assessment (IA), setting out at a high level what conclusions had been drawn from the analysis, and explaining why RP2a was the preferred option, relative to the other packages as well as the 'do nothing' option.

14. TF stated that the IA is not yet finalised and Ofgem is still working on multiple aspects, particularly on refining the programme delivery costs and analysing the RFI returns. Ofgem is also working to identify and take into account benefits to non-domestic consumers.
15. GJ challenged the drafting of the benefits of anticipated system capacity and flexibility, highlighting that innovation could be held back by other systems even if the new CSS is introduced. RC acknowledged this point, and responded that Ofgem are aiming to ensure that the switching systems do not act as the break on future innovation. Ofgem agreed to look at the wording of the narrative to make it clear the focus is on the removal of a block on innovation, rather than that the CSS would be expected to deliver it.

Action: Ofgem

16. TF noted that Ofgem had spoken with BACS on their experience of the current account switching programme. BACS saw it as a driver of competition and in particular innovation with different products entering the market. They have found that after seeing increases in switching in run up/after launch, people are now choosing to stay with their bank and taking advantage of new financial incentives to do so. There was some concern from EDAG members about the comparability of the banking sector. JG noted that the financial services market spent a lot of money on the Current Account Switch Guarantee, but that this might not be possible in the energy sector. RC responded that Ofgem is expecting industry to take responsibility in promoting the Energy Switch Guarantee.

17. GJ requested clarification on the assumption in the log for the value of consumer's non-working time, as it was unclear what time period the rate referred to. TF confirmed it was an hourly rate, and confirmed Ofgem will make sure this spreadsheet is presented in a user-friendly format.

Action: Ofgem

18. GJ identified that some topics, that were discussed in the afternoon, e.g. changing agent systems, might have the possibility to reduce the suppliers' cost base. AW responded that the industry cost figures have not been finalised yet and that Ofgem to continue working to identify if there are some costs that would need to be removed.

19. JG questioned if Ofgem had considered the full range of costs to industry participants in the counterfactual, for example costs to electricity networks for system refreshes. AW confirmed this should have been factored into RFI responses, but agreed Ofgem would check if this was factored in appropriately.

Action: Ofgem

20. TF said that Ofgem anticipated sharing the initial findings from the consumer research in advance of the September consultation, or alongside it. This was qualitative research and focused on the reliability outcomes. Ofgem agreed to provide EDAG members with the scope of this research – see appendix 1 below.

Action: Ofgem

Transition Approach

21. James Crump (JC) presented slides setting out an overview of the Switching Programme's latest position on the transition approach, specifically focusing on the strategic approach to go-live, but also covering the Business Continuity Plan in the event of catastrophic failure and the proposal to manage in-flight switches.

22. Alex Travell (AT) suggested that it would ideal to not have a break in switching as part of the transition. This has been required for Project Nexus as it was not considered early enough in that programme. JC responded that Ofgem are looking at the best way to manage in-flight switches, including consumer engagement to manage expectations.
23. JC outlined the proposed staged approach to introducing different functionality of the CSS in order to de-risk go-live, whilst retaining a single go-live event. This involves staging the introduction of the functionality into a 'near-live' environment to ensure robust operation (this is in addition to testing that would take part of DBT), and only then will the CSS go-live.
24. RC asked if the running of interfaces to the CSS for DCC Access Control in a non-production environment should be included in stage 2 (with the rest of the production interfaces)? Response from industry that you cannot have the two running concurrently; it needs to be the current system or CSS. AT suggested that Ofgem could run 'RDP interface to DCC Access Control' as part of stage 4 to further de-risk go-live. GJ suggested that you could also start to transfer the new data across existing interfaces prior to go-live to reduce the number of system changes that happen as part of go-live. JG requested that Ofgem identify which of the other interface lines will change, and when as part of this approach. Ofgem will consider this as part of Operational Choreography, including learnings from Nexus.
25. MH clarified that there is an interface between MPRS and Agents that will be retired as part of this process, but its current existence needs to be reflected in the schematic. Ofgem agreed to update the schematic to include this.
- Action: Ofgem**
26. JG requested Ofgem to provide clarity on when during the year they would envisage the go-live event as this could have impacts on industry (current range is May-Dec 2020) e.g. peak gas prices and usage in winter. RC responded that this range will reduce over time as clarity is gained on the package that will be delivered and timings of DBT become clearer, but that learnings and successes from Nexus will influence the decision on timing.
27. JC said that it would be useful to understand where parties thought there was complexity and highest risk within the E2E solution and transition, that would benefit most from having greater attention as part of delivery. Suggestions included making sure there was gated entry and exit criteria to ensure that systems within agents, suppliers and shippers are ready to directly or indirectly interact with the CSS. JC agreed and said that this would be a role for the systems integrator (SI), a single party providing an assurance function that participants are ready to transition. Ofgem is still to determine what the scope of the role of the SI will be, and what needs to be involved and tested.
28. JF noted that the programme may create uncertainty for potential new entrants on whether they invest based on current arrangements or hold off until the new requirements were in place. This uncertainty could act as a potential barrier to new market entry.
29. Ofgem will provide greater clarity on the transition approach after the design has been finalised (anticipate Q1 of next calendar year). Ofgem will work with industry to ensure that what is expected in the DBT phase is clear. Ofgem noted that they would be liaising with stakeholders to assess the extent to which a staged approach would de-risk transition.

30. There was broad consensus that it makes sense to constrain the market at go-live until we are sure the new system and process are robust, but the challenge to Ofgem is whether it is happy to do so. Industry also felt that Ofgem should not set an arbitrary deadline for go-live; adequate time needs to be allowed to ensure the systems are ready. Some attendees noted that implementing elements of functionality after CSS go-live would not be preferable to delivering the full end-to-end solution concurrently with CSS go-live.
31. Industry identified a number of other system and procedural changes which would need to be made in order to ensure that they are ready to deliver the appropriate customer experience at go-live e.g. staff training, updating of sales materials, changes to billing processes etc.
32. Attendees noted that it was important that they are informed of a fixed go-live date which is adhered to in enough time to implement these changes in a live environment. RC requested that industry provide data on what the cost would be of an e.g. 1 month delay after passing this 'point of no return'.

Action: Industry

Regulatory Design

33. Caroline Ainslie (CA) presented an overview of the Switching Programme's latest position on regulatory policies and discussed the areas that would be consulted on in September, specifically enduring governance and transitional arrangements including sanctions.
34. GJ raised a question on timing, and what the impact would be on the development of the REC if the code drafting slips. CA responded that by proposing to focus on drafting the priority aspects first so industry could get early sight on these without having to wait for the lower priority drafting. The non-essential consolidation would happen outwith the Programme at a later point. Jon Dixon (JD) added that if drafting slips this would not impact go-live of the Switching Programme as these aspects could be brought 'online' later as drafting allows.
35. AT said that Ofgem should not go-live with the REC without having a code administrator behind it. JD responded that there is not necessarily a need to have a code administrator in time for the transitional arrangements, but agreed it would have to be in place for when the full code goes live.
36. There was a feeling that there will be some aspects of the code changes that can be made quite quickly but other, eg governance and funding that will take time to develop. Other than that, there was unanimous agreement that EDAG members agreed with the initial scope of the proposed REC.
37. There was also unanimous agreement from EDAG members that the Switching Programme should adopt a managed approach to transition, covering the areas outlined in the presentation, and that certain requirements should be included in licenses. This could be worded in such a way to 'future-proof' the license e.g. generic and enduring standards of behaviour. There were no further suggested additions to the transitional arrangements.
38. JF suggested that there might be a situation where two losing customer processes were needed for those that are CSS-compliant and those that aren't. There was support for restrictions on registrations as a sanctions during the transitional arrangements. JD outlined that the proposed sanctions wouldn't be mutually exclusive and could be used in parallel/conjunction if needed. Ofgem will conduct a separate piece of work to consider what the sanctions should be for the enduring arrangements.

39. AT asked if Ofgem or the REC Panel will make the enforcement decisions on the programme until go-live, and then pass ownership over to the REC Panel once the code has gone live. JD responded that the decisions on certain sanctions was likely to be Ofgem's e.g. restrictions on registrations with the SI being empowered to undertake other measures to ensure the governance is kept agile.
40. Ofgem agreed to consider how the restrictions on registration sanction would 'interact' with the cooling off period and what the process would be to return a customer.

Action: Ofgem

41. GJ suggested that for transitional arrangements it might be useful for Ofgem to have something in the code similar to the 'liquidated damages' sanction. JD responded that this was likely to be complex, and might not be necessary given the other sanctions, but if industry comes up with a credible way of incorporating it then would be considered.
42. There was unanimous agreement from EDAG members that the REC should be set up ahead of wider code changes as this will give industry clarity and certainty as early as possible.
43. There was unanimous agreement with the proposal to draft the code mods in one place (option 3 in the slides). Ofgem confirmed that in doing this they would not bypass the industry engagement that would be part of the code mods processes included in options 1 and 2. JD also agreed that Ofgem would need to be conscious of other changes that are happening; Ofgem may need to do some drafting in parallel.
44. JF requested that the drafting of the code made it completely clear on which party the obligations sat (and also considering what happens when organisations have different trading names), a lesson to be learned from the drafting of the SEC.

Agent Appointments, Customer Raised Objections and Change of Occupancy Flag

45. Jenny Boothe (JB) presented an overview of the Switching Programme's latest position on agent appointments, customer raised objections and change of occupancy flag.
46. The MAP ID will be captured in MPRS and UKLink, but will be referenced in the CSS. Ofgem is creating a new set of responsibilities on suppliers to maintain this data. EDAG discussed the benefits of holding the data to support accurate invoicing. RC requested that industry share any ideas on how the MAP ID process should operate so as to best simplify the invoicing process. Ofgem are still reviewing the detail on the mechanism for governing the process for maintaining the accuracy of the MAP ID within MPRS and UKLink.
47. The proposed approach to the management of agents is to remove the requirement for suppliers to send MOP, DA and DC ID in a switch request, for this to be mastered in the CSS and for CSS to inform that gaining and losing agents on a switch. This would also remove the proposal to use these notifications to appoint and de-appoint agents. There would be a requirement to master this data in UKLink and MPRS. It would be referenced in the CSS and the CSS would notify the losing agents as part of the switch.

Action: Industry

48. There will be a non-functional requirements document that sets out the SLAs and agreements in relation to the CSS. Ofgem will be setting out the requirements for this; the DCC will be responsible for realising this through the procurement.
49. Alec Belsham-Harris (ABH) suggested that use of the Change of Occupancy (CoO) flag was not happening on a large enough scale in the domestic space to warrant allowing suppliers to object if they had evidence that the flag was being incorrectly applied. RC responded that this will be monitored by the CSS, so will have evidence if suppliers are incorrectly using the flag or misusing the objections process. The regulatory arrangements needed to be appropriate, for example there was a current requirement to have evidence that a CoO had been incorrectly applied before objecting.
50. JB noted the proposal to retain Customer Raised Objection (CRO) process and extend it to non-domestic customers. It was proposed to rename it the 'Annulment Process'. ME noted that there is a similar process in fixed line telecoms called 'cancel – other'. It includes evidence requirements and outlines how the process works. Industry advised that Ofgem look at this for reference for how this process should be governed. Andrew Wallace (AW) noted that there were existing rules on the use of the process in the licence and industry codes.

AOB

51. RC circulated a statement from Xoserve and Gemserv which updated on their work to develop an industry-led MIS. GJ raised a concern that the planned functionality included similarities to the CSS and Xoserve/Gemserv may be replicating the CSS. RC responded that whilst there are some potential scope overlaps, Ofgem had met with both parties and were at the early stages of working together to iron these out. RC said that Ofgem's view is that the data model will be defined through the switching programme and will determine whether data is mastered in the CSS or elsewhere and that the MIS would need to be consistent with that data model.
52. RC outlined that, following successful go-live of UKLink, Xoserve had approached Ofgem to note the role that it could play in providing the CSS, and that this could bring strategic benefits to the Switching Programme. Ofgem published a consultation on 27th July 2017 for industry to provide response/input into this – see consultation [here](#).
53. RC also noted that Ofgem's current working assumption is that DCC will run an open procurement on the communications arrangements to support the exchange of data with the CSS. Ofgem is aware that Electralink is also a procurement body and could include the CSS requirements within the scope of its reprocurement towards the end of the decade. There will be the opportunity for industry to provide responses on this question as part of the September consultation.
54. RC said that npower had asked that an issue be raised on micro-businesses and cooling off. She said that the new faster switching processes needed to be capable of adapting to future regulatory changes but was unaware of any particular issues here. EDAG members were similarly unaware
55. Arik Dondi (AD) said that the Switching Programme has kicked off a new Security workstream. It is currently working to update the Information Risk Assessment and Privacy Impact Assessment documents. AD said that he wanted to put in place a user group for the Security workstream and requested contact details from those interested in participating in this group, or who would like to receive information on this. AD agreed to circulate the ToRs for the Security workstream/user group with the minutes.

Actions: Industry and Ofgem

56. ME asked that Ofgem circulate the key questions that would be raised in the September consultation so that parties could start lining up resource to consider these. Ofgem agreed to share an overview of the areas the consultation would cover – see appendix 2 below.

Action: Ofgem

57. Next meeting to be held after the September consultation on the preferred reform package had closed.

End

Attendee list

Alex Travell – E.ON
Jeremy Guard – First Utility
Martin Hewitt – UK Power Networks
Rachel Mottram – Utilita
Karen Lee – Utilitigroup
Colin Brooks - Energy UK
Allan Clark – Scottish Power
Colin Blair – Scottish Power
Adam Iles – Centrica
Joanna Ferguson NGN (ENA)
Paul Saker – EDF Energy
Martyn Edwards – SSE
Gavin Jones – Tech UK
Alex Belsham-Harris – Citizens’ Advice
Matt Young – Drax
Vicki Spires – ESP
Phil Broom – ENGIE
Kudan Singh – npower
Tom Olden – Smart DCC
David Addison - Xoserve
Rachel Clark (Chair) – Ofgem
Tom Fish – Ofgem
Andrew Wallace – Ofgem
Francesca Caputo – Ofgem
James Crump – Ofgem
David Liversidge - DCC
Caroline Ainslie – Ofgem
Jon Dixon – Ofgem
Jenny Boothe – Ofgem
Arik Dondi - Ofgem
Colin Mackay - Ofgem
Joe Karmali - Ofgem

Appendix 1 – Scope of the consumer research

The overarching research objective is to qualitatively gain a better understanding of how a small minority of domestic consumers are let down by reliability issues with switching from their perspective and how this affects them

The qualitative research aims to do this by conducting depth interviews with domestic consumers who recollect a switching reliability issue in the last year. The research is being conducted by an independent research agency.

- Switching issues in scope for this research are: delayed switches (of one or more fuels); failed switches (of one or more fuels); and erroneous transfers
- Small sample size of 20-25 consumers expected
- The sample is being sourced via an online consumer research panel. It covers a broad representation of socio-demographic groups across England, Scotland and Wales
- Individual qualitative interviews are being carried out via telephone. Each lasts approximately 45 minutes.

The interviews focus on understanding:

- the context of the switch (e.g. how they switched, motivations for switching)
- what went wrong from the consumer's perspective
- how the customer and supplier(s)/third-party intermediaries responded to the issue
- whether and when/how the issue was resolved
- the impacts of the switching reliability issues, both during the experience and from the broader perspective of overall engagement
 - In terms of direct impacts of the experience, the interviews cover time spent dealing with the issue and any financial impacts or emotional impacts on the consumer (e.g. hassle/worry, frustration);
 - In terms of broader impacts, the interviews cover whether or not the experience has deterred the respondents from engaging in the market again; how it has affected their views of suppliers and their trust in the market; and whether or not they have relayed their experience

Appendix 2 – Blueprint consultation overview

Executive Summary

- Describes purpose of the document - to consult on RP2a as our preferred reform package and the analysis supporting that position.

Introduction

- Describes the purpose of the document, outlines the background of the Switching Programme, identifies links to other related work and sets out the next steps of the Switching Programme.

Summary of Impact Assessment

- This chapter will outline the counterfactual and the overall case for change and the assessment of the reform packages against the programme objectives.

Preferred reform package - design

- This chapter will be split into two sections covering the design of RP2a and the customer journey under RP2a.

Preferred reform package – implementation

- This chapter will cover delivery/implementation issues and proposals around switch speed.

Regulatory approach

- This chapter will cover the anticipated governance framework, the transitional arrangements and DCC's enduring role.

Other issues

- We expect to consult on at least one other issue (around provision of communication services). This, and any other consultation topics, will be included in a single "other issues" chapter.

Associated documents

We will also be publishing a number of associated documents that will support this consultation, including:

- The full Impact Assessment (IA)
- A Privacy Impact Assessment (PIA)