

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

Meeting 13 – 22 June 2017

Note that this is the agreed set of EDAG minutes. Deletions from the published draft are shown as strikethrough and additions as double underlined.

Introduction

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

Xoserve & Gemserv presentation

2. Andy Miller (AM) and Tony Thornton (TT) presented slides describing the intent to collaborate between Xoserve and Gemserv to develop a single dual fuel Market Intelligence Service (MIS). This would firstly deliver the remedy on ECOES and DES envisaged by the CMA. This would provide PCWs with API access to data. TT explained that this service could then be rolled out to other industry parties. He noted the intention for the industry led MIS to meet equivalent requirements to those described for the MIS in Reform Package 3. Gemserv and Xoserve would also explore what other services an industry led MIS could provide.
3. TT said that engagement with stakeholders was key in defining requirements and Gemserv and Xoserve would provide an update in six weeks on how the project was expected to develop. This would include how the industry led MIS project would work alongside the Switching Programme.
Action: Xoserve and Gemserv
4. Gavin Jones (GJ) said that clarity in the respective scopes of the Switching Programme and industry led MIS project was required to avoid confusion and potential double counting of benefits. Others cautioned that careful planning was required to avoid duplication of costs.
5. RC said that this was a very recent development and no decision had been made on how the industry led MIS project and Switching Programme would operate together. She emphasized the need to work together with Xoserve and Gemserv so that this industry solution was consistent with what Ofgem was trying to achieve.
6. Joanne Fergusson (JF) said that the solution being developed by Xoserve and Gemserv should take into account the requirements of all current users of DES and ECOES, including network companies.

Switching Programme overview

7. RC gave an overview of the work Ofgem had recently undertaken on the reform packages, including the development of a new option (RP2a) and the preliminary results from the impact assessment. She said that under RP2a there would be an industrywide move to next day switching only when 7-day switching was working well. Suppliers could switch customers faster if they had the capability to do so.

8. Martin Edwards (ME) said that suppliers being allowed to go faster could have an impact on other suppliers and the market. He said that an assurance process was needed to protect customers. He suggested that an accreditation process would allow suppliers to switch customers faster without compromising reliability.

Glide path to end of next working day switching and RP2

9. Andrew Wallace (AW) thanked attendees for the RFI data provided and said that the information had been very helpful in developing option RP2a.
10. He presented slides describing the proposed glide path from 7-day switching to next day switching.
11. Clarification was requested on the assessment that would be undertaken when moving from 7-day switching to next day switching. AW said that no decision on the criteria for when to move to next day switching had been made. He said that industry systems were expected to be next-day ready from the start. There was a call for ET volumes to be part of the assessment including when ETs are identified. If the majority of ETs are identified on Day 4 then there would be a concern to move to 1 day switch).
12. Overall, there was support for the glide path approach. RC said that more work would be undertaken to see how customer's choice as to when to switch would work with both 7-day and next day switching. Ofgem would review how any requirements would apply to different customer groups, for example traditional PPM customers. Ofgem would also give further consideration on what regulatory obligations on suppliers might be needed to support switching speed.
13. AW described the key elements of RP2a, including the 1WD objection window for domestic and 2WD window for non-domestic customer.
14. SH questioned why Ofgem were not proposing to extend the Customer Requested Objection (CRO) process to non-domestic customers, as this was an important safeguard in preventing ETs. Gavin Jones (GJ) said the small non-domestic customers are similar to domestic customers and could not see why they should be treated differently. Other attendees supported this view. Ofgem agreed to consider this further.

Action: Ofgem

15. AW confirmed that the CRO process and registration withdrawal would be available for suppliers to use up to 5pm on the day before the switch. This included on non-working days, for example when the switch was scheduled to take place at midnight on Sunday.
16. Some attendees expressed concern at the potential for switching to happen faster than 7 days during Phase 1 of the glide path. RC invited them to write to Ofgem so that it could understand why any risks could not be mitigated by having adequate controls on those suppliers that wanted to go faster.

Action: Industry

17. Andy Bough (AB) commented that a one week switch was preferable to next day but that as the switch would still complete during the cooling off period, he still had concerns around the customer experience and back out process. He also noted that, as RP2a still envisages the switch

request being sent on the same day as the contract is agreed, it leaves very little time for validation. RC said that timescales for switches completing after two weeks (the cooling off period) was not acceptable and next day switching will allow innovation which is a major benefit of the programme. She explained that suppliers will have the option to agree a later supply start date with their customer if the customer wishes. This would be described in the Autumn consultation.

18. Some attendees asked for more details on how the decision to move to next calendar day switching would be made. Ofgem said that this would include a full consultation and impact assessment. This could be done 3 to 5 years after implementation of the Switching Programme.
19. One attendee commented that not knowing how many customers you would have until day before could have repercussion on energy trading activities.
20. JG commented that having a 1 week switch period followed by a move to next-day would increase testing requirements and cost.

Policy variations

21. AW presented on the RFI responses and changes to cooling-off and objections. He explained that he had made some adjustment to the cost figures received from parties. He had also used the data provided in the RFI to derive the costs of RP2a.
22. BUUK urged Ofgem to undertake some sensitivity analysis around 3.5% discount rate used in the analysis. Ofgem commented that this was the standard approach recommended by Treasury.
23. It was agreed that Ofgem would send a new RFI to parties to test the assumptions that had been made to derive the costs of RP2s. Parties agreed to respond to the new RFI on costs within one week.

Action: Ofgem Impact assessment update

24. Tom Fish (TF) presented some initial conclusions from the analysis that Ofgem had undertaken on the Impact Assessment (IA).
25. A number of attendees asked for more details on the methodology and assumptions made by Ofgem for the IA. Others considered that Ofgem would need to take into account the work being undertaken by Gemserv and Xoserve on the industry led MIS in the IA. RC said that would consider how the work from Xoserve and Gemserv would affect Ofgem's analysis.

Action: Ofgem

26. BUUK said that it would like more clarity on which benefits are arising from faster switching and which from more reliable switching.
27. There were also some detailed questions on how Ofgem calculated the number of additional switches due to the policy. TF explained that Ofgem was not attempting to forecast the additional number of switches that would result, but it was developing plausible scenarios to include in the analysis.
28. GJ asked Ofgem to share the work it had done and expressed some concerns about the assumptions on additional number of switches and the gains from switching over the time horizon of the IA.

29. In response to a question, TF noted that Ofgem would be undertaking sensitivity analysis on the level of switching.

30. Ofgem agreed that it would circulate more information on the design package and the IA prior to the next EDAG meeting. It would also make sure there would be enough time to discuss the IA at the next meeting.

Action: Ofgem

End

Attendee list

Alex Travell – E.ON

Jeremy Guard – First Utility

Martin Hewitt – UK Power Networks

Tony Thornton (part) – Gemserve

Andy Miller – Xoserve

Jon Spence – Elexon

Alison Russell – Utilita

Jane Eccles – DCC

Diane Aspinall – Utilitigroup

Colin Brooks - Energy UK

Colin Blair – Scottish Power

Graham Wood – British Gas

Anne Jackson – Gemserv

Mike Harding – BUUK

Andy Baugh – Npower

Joanna Ferguson NGN (ENA)

Lynne Hargrave – CMAP

Paul Sacker – BDF Energy

Martyn Edwards – SSE

Gavin Jones – Tech UK

Ben Trasler – Opus Energy

Tom Chevalier (phone)

Stew Horne – Citizens' Advice