

## Switching Programme Delivery Group – Meeting 9

## 1. Welcome and Introductions

RC welcomed all attendees to the ninth meeting of the Switching Programme Delivery Group (SPDG).

Action log				
Ref :-	Subject		Action due	Action owner
<b>Actions - Ongoing &amp; Carried Forwards</b>				
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. <b>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</b>	Ongoing	Ofgem
<b>Actions – New</b>				
SPDG8-01	Risks & Issues	Closed risks and issues to remain in the Highlight Report for reference <b>Closed</b>	04 July 17	Ofgem
SPDG8-02	TDA	Industry to engage with Ofgem through AD with suggestions for external expertise for the TDA. <b>RC advised that TDA now has technical expertise from EUK. Ofgem are Still interested in technical expertise more grounded in the smaller or ‘challenger’ supplier end of the market</b>	05 Sep 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. <b>Closed</b>	04 July 17	SPDG members
SPDG8-05	Industry Meetings	Ofgem to circulate forthcoming meeting dates and topics to be covered. <b>RC handed hard copies of Workstream User Forums to members at the meeting. They will be circulated by email and published on the website .</b>	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
SPDG9-01	RP2A Costs	To double check RP2A Implementation and run costs quoted in Reform Package Analysis presentation and advise SPDG	05 Sep 17	Ofgem

## 2. Programme Update

## Highlight Report

AA updated SPDG on the key aspects of the highlight report, noting that a new look highlight report based on the new Programme Board highlight report may be trialled for the next SPDG. The Programme continues to track Amber. Key deliverables achieved since the last SPDG were taking views on the proposed Reform Packages to Programme Board and the completion of Wave 1 of the Detailed Design work. In terms of upcoming work, the Amber/Red RAG for Wave 2 reflects a delay by a few weeks, but this will not affect the overall delivery of the E2E design. In terms of other activities, EDAG meetings resumed on 22 June. The next one is 19 July. SPSG was held on 03 July. The majority of activity to date has focused on development of the Reform Packages in terms of the RFI and the Impact Assessment and E2E Design. Commencement of DLS work using a no regrets RP2 assumption is ongoing. The key upcoming deliverable will be completion of our DB2 assumptions in

terms of what the proposed Reform Package will look like and the detailed assumptions which will drop down into the evolution of this DLS design. The main thrust of the DLS work will run from the end of July through to mid-Autumn. Work has commenced to update the website with decisions made by TDA and publish papers going to Design Forums. There was a discussion around Programme expenditure which shows a current underspend by Ofgem and DCC. This reflects reduced resourcing costs at the beginning of the year and, in relation to DCC, not needing to call down contingency. There is an improving RAG status in general on risks and issues and closed risks and issues are now included in the highlight report. Consumer Research (I37) will be published once this has been completed.

### **3. Regulatory Design**

This is the first time there had been significant regulatory governance discussions at SPDG. Prior to this, the material generated by the Design team had been discussed in the RD User Forum. RC highlighted the importance of SPDG discussing at this meeting the key positions on the Retail Energy Code and transitional obligations as this will be their only opportunity prior to responding formally to the September consultation.

JD presented an overview of regulatory design workstream activity, including transitional regulatory requirements to support delivery. The main focus of the discussion with SPDG was feedback on the scope of the Autumn consultation, focusing on four areas. Firstly, whether Code "Architecture" should be a REC or contained within SEC or other existing codes. Secondly, should transitional obligations be imposed on market participants to ensure smooth delivery of the programme and if so what should their scope be, what penalties should apply for failure to meet them, when should they take effect and so on. Thirdly, the scope of the REC in terms of how much realistically needs to be done in order to facilitate this Programme becoming effective in 2020. Finally, setting out the mechanics of the SCR use. It is hoped that by scoping out this detail in advance of the consultation everyone will be comfortable.

In terms of the Code Model, RC stated that as the work on the Retail Energy Code has developed, feedback has indicated a broad consensus of support. SPDG advocated modernising the code at the same time as modernising the Switching arrangements and ensuring that legal drafting is innovative, rather than following established codes. RC confirmed that funding has been secured from SPAA and MEC to hire in lawyers to draft the provisions for the new switching arrangements from scratch. It is hoped this will mean that the drafting can focus on what needs to be achieved and be simple and capable of simple future amendment. SPDG raised concerns about the difficulty of drafting codes and making them operate in a new environment and the level of consultation with industry the Programme is expecting to build in as it progresses this. Concern was also expressed about ending up with system restrictions dictating and constraining what industry can do. RC stated that in the current timetable it is expected that the code drafting will have gone through its complete approvals process before the system is built, rather than drafting in line with system development. The aim will be to keep as much of the technical content in technical documents, rather than in the codes in the legal drafting, supported by the right governance. Drafting by committee will not be practical for drafting regulations, so drafts will be made available for feedback. Ofgem's key role will be to ensure everything stays aligned at the point that the regulations are developed and the procurement is going through for the CSS.

In terms of the transitional arrangements that would apply to relevant industry participants, RC requested SPDG feedback around the principle of it in terms of whether it is the right thing to do and the areas of coverage outlined in the presentation. There was agreement both with the principle and the proposed coverage. SPDG raised the issue of the accountability of Ofgem with regard to market

participants. RC confirmed that arrangements can be set up to explain what the Programme's obligations are and the timescales being worked to so that industry can hold the Programme to account for these. The other issue raised was sharing real data for testing and the GDPR implications of this. RC confirmed that the aim is to be able to reach the point where it will be possible to share real data in compliance with GDPR guidelines. This may not be possible, so alternative approaches which are less onerous on industry and customers will be sought. SPDG were pleased that the complexities of the transition process are being recognised everyone is working to a common goal from the outset. There was also discussion around Ofgem's role in the programme and whether this would be the same as for Nexus. RC confirmed that there are lessons to be learned from Nexus and that this is still under review for this Programme. SPDG were keen to ensure that there would be clarity over who was responsible for delivery across the programme participants. RC noted that Ofgem would retain overall responsibility for the programme and that consideration was being given as to where responsibility for functions such as system integration, market testing and programme management should sit within the programme. Learning from SMART metering, DCC highlighted the importance of getting the contract right and correctly defining the central programme roles. RC confirmed that decisions do not need to be made yet. The Programme will return to SPDG with more developed thoughts, having considered different models and identifying which will give the best result for everyone.

In terms of the REC scope, there was agreement to the vision of keeping it fairly minimalist and focussed at the outset and keeping it simple even in the long term. It would be important to avoid duplication between existing codes and the REC. In terms of SCR use, RC confirmed that the current expectation is that there will be no further legislative powers to work with. The Programme needs to ensure that all current plans fall into place for the SCR use as described in the presentation.

#### **4. Delivery Approaches**

RSC described how historically the decision was taken to introduce central registration systems but on entirely new platforms. The aim was to bring together gas and electricity into a CRS to provide more reliable dual fuel switching for consumers but it would be procured and operated by the DCC and be an entirely new system. In the last two years important developments have brought into question whether our preferred delivery option for a CRS could also be delivered on an existing system as well as a new build system: the successful implementation of the new UK Link and Project Nexus moving towards the final close-down stages. We are currently pausing to reflect whether leveraging the existing Nexus system would provide any potential benefits and considering the now fully implemented Xoserve FGO governance arrangements, which are focused on delivering a good service to all its customers. Re-using an existing system could provide potential benefits i.e. reducing programme delivery risks and cost savings but need to be explored further.

RSC confirmed that the Programme's preference is an open competition through a DCC led procurement of a CRS. We need to consider whether there are issues that prevent an existing industry body from competing effectively in an open competition. There may be some issues within the structure of the existing DCC licence that might make it difficult for a fair consideration of not for profit organisations within a competition. There are also some potential barriers within Xoserve's own governance which make it difficult for them to submit a bid within a competitive procurement process led by DCC.

These issues would be considered alongside the question of whether there are potential benefits of using an existing platform and if so what are the size and scope of those. RSC wants to engage industry on this question and confirmed that a consultation (*post meeting note – published on 27 July and closing on 29 September*) will formally seek industry's views on the potential benefits of the

existing UK Link system as a component of the new CRS. The design of the Reform Package will be addressed through consultation in September.

There will be a period where Ofgem will be running two consultations, however RC expressed the view that the outcome of the consultation around the use of existing systems will not materially impact on the Reform Package consultation and what we are trying to achieve through the new switching arrangements. SPDG recognised that this approach raises many interesting questions. There could be concerns around DCC's capacity to be able to deal with two major systems, Switching and SMART. There is also a risk around outstanding changes still to be delivered associated with Nexus. This could impact on timelines and the procurement strategy and market engagement. There is a need to ensure that we do not take a decision now that we might later regret. SPDG were keen that Xoserve engage with industry during the consultation to explain where they stand. RC noted that there will be complexity around how to ensure the full industry value and cost is reflected in the evaluation of the bids for the CSS.

## **5. Reform Package Analysis**

AW presented an update on the Reform Packages, the new concept of a "glide path" and introduced a potential new reform package, RP2A. These had been presented at EDAG on 22 June and SPSG on 03 July. The assessment is that RP2A is a cheaper and easier solution to deliver and permitting the functionality of next day switching. DCC had provided some cost information on RP2A and the Programme had written to suppliers asking for data on some of the assumptions made to generate the cost of the RP2A. Additional information on some of the policy variations that were not explicitly tested in January had also been requested, in particular testing of metering agent changes. Ofgem acknowledged the short notice of these requests due to the 07 July deadline but welcomed industry's continued support in providing this information.

AW confirmed that Xoserve and Gemserv have set out a statement of intent to work together to provide an industry led market intelligence service to meet the expectations originally set out in RP3.

SPDG expressed concern about their ability to meet the tight timescales to be able to provide a considered response to this latest RFI by 07 July for the potential preference of RP2A. However EDAG had confirmed that a week for a response was acceptable and industry is not being asked to do more work. The Programme in putting together RP2A has taken features of RP1 and RP2 and tried to make sensible assumptions about the elements of cost which have already been looked at in detail. So the question of industry in the latest RFI is to test these assumptions about the components which have been costed up so the differential in the cost between RP2 and RP2A can be understood.

SPDG were keen to understand the benefits which will be delivered by a one day or a five day switch. RC confirmed that what has to be delivered is the one day switch. The five day switch would be a transitional phase and includes dead time in each switch to ensure that the data processing is working and therefore an economic case for the five day switch does not need to be considered. The focus of the 'light touch review' to move from five days to one day would be measuring the effectiveness of the switches, including numbers of ET's prevented and the proportion of switching proceeding without hitch first time. No consumer further consumer research was intended as part of the review as the purpose of the 5 day transitional was solely to check reliability and moving to 1 day should not impose additional costs on suppliers or consumers. SPDG were keen to ensure that switching arrangements are as clear as possible to minimise confusion for customers and welcomed the expansion of the Programme's scope to focus on what customers value most, reliability, as well as faster switching.

SPDG asked about the Xoserve/Gemserv MIS and whether any impacts this may have on industry will be included in the consultation. RC confirmed the need to work closely with both organisations as they design the MIS to ensure a single data model, for all switching related data, set by the Switching Programme. This will be covered in the consultation. The Programme will manage the relationship between the two systems and ensure the right governance is in place from a programme perspective. Xoserve and Gemserv have their own governance mechanisms in place for management of the development and delivery of the MIS.

SPDG queried the RP2A implementation and run costs for 10 years compared with the those for RP2. Ofgem will double check these figures and advise SPDG. The DCC costs for RP2A were not shared as they need to through 'check and challenge,' but will be included as part of the consultation.

Final discussion considered some of the questions raised in the presentation. There was support for the RP2A solution. In terms of the criteria for designing a 'light touch review' it was recognised that the following issues, among other things, must be considered: reliability, level of complaints, consequential impact on other processes i.e. settlement and key touchpoints the customer might experience. The minimum timeframe before completing the 'light touch review' should also be considered as this might affect the criteria. RC suggested that the review could start after around three months.

## **6. Any Other Business**

None

## **7. Next Meeting**

Next SPDG is 05 September 2017

### **Attendees**

Rachel Clark – Ofgem (Chair)  
Rob Salter-Church - Ofgem  
Andrew Amato – Ofgem  
Arik Dondi - Ofgem  
Andrew Wallace – Ofgem  
Tom Fish – Ofgem  
Jon Dixon - Ofgem  
Heather Bignell – Ofgem  
Francesca Caputo - Ofgem  
Jane Eccles - DCC  
Graham Line – EON  
Sharon Johnson – British Gas  
Paul Saker – EDF Energy  
Douglas MacLaren – Scottish Power  
Alan Clark – Scottish Power  
Alison Russell – Utilita  
Alan Raper – ENA (gas networks)  
Chris Hill – ICoSS  
Dan Alchin – Energy UK  
Sandy Glover – Energy Networks Association  
Natasha Hobday – First Utility

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Anne Caudwell – Npower  
Luke O’Neill - SSE  
Stew Horne – Citizens Advice  
Edward Fencer - Extra Energy