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Rachel Clark
Ofgem
9 Millbank
London
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By email only to: switchingprogramme@ofgem.gov.uk

Dear Rachel,

Response to the Ofgem consultation on UK Link and the proposed Central Switching Service

BUUK welcomes the opportunity to respond to the above consultation, requesting views on the benefits and risks associated with the use of UK Link as a Central Switching Service (CSS) and whether there are any regulatory changes needed to allow a competitive procurement process. This response is provided for and on behalf of Brookfield Utilities UK's (BUUK) IGT licences: GTC Pipelines Limited, Independent Pipelines Limited, Quadrant Pipelines Limited and BUUK's IDNO licences: The Electricity Network Company Limited and Independent Power Networks Limited.

BUUK has worked closely with Xoserve in recent years to scope, support and deliver Single Service Provision for IGTs as part of Project NEXUS and have continued engagement with Xoserve post NEXUS under the Funding Governance and Ownership arrangements. It is from our experience with Xoserve, and as an independent electricity network operator (IDNO) operating under the electricity registration arrangements that we base our response. BUUK recognises the benefits of utilising the UK Link platform for providing a CSS but believes that:

- More evidence based work is needed to properly evaluate and define the benefits and costs of a UK Link centred CSS;
- Xoserve needs to rebuild trust and confidence for their customers on their capability to deliver systems based changes;
- Any potential work Xoserve undertakes should not be at the expense of the existing UK Link provisions; and
- The same opportunity should be offered to the equivalent electricity systems provider(s) to provide a meaningful comparison of both cost and functionality.

Our full response to the consultation questions can be found in appendix 1 of this letter.

Yours sincerely

Mike Harding
Regulation Director

Appendix 1

Question 1: Do you agree with the benefits outlined in 3.7 a-c below. If so, how significant do you consider these benefits could be for the purposes of implementing more reliable, faster switching?

a) Solution architecture

For BUUK it is important that, whatever solution architecture is chosen, we have confidence that it will be delivered to specification, on time; and importantly, to budget. The Programme delivery of large IT systems, within the energy sector and more widely, does not have a good track record of meeting such criteria.

Whilst we do not have detailed understanding of AMT's Market Flow and SAP IS-U products we think that utilising products that have a proven track record and the functionality to be used for electricity switching, as well as for gas switching, offers the potential to de-risk programme delivery and develop solutions at lower costs when compared to building an entire new system. Significant industry investment has already been employed to ensure the implementation of the improved UK Link. Therefore, we think it would be imprudent not to consider the use of UK Link as a CSS. However, the potential savings from reduced integration costs for electricity market participants to interface with UK link needs to be fully evaluated and considered against the costs of alternative approaches; e.g. starting-from-scratch or utilising an electricity platform to integrate gas data.

Additionally, poor delivery performance, something market participants experienced during Project Nexus implementation, would erode claimed cost benefits. Therefore, before we can support such a proposition, we need confidence that Xoserve and their contractors have the appropriate capability and resources and programme management expertise in place to ensure successful delivery (the same is also true of any other organisation delivering CSS capability).

Also, the use of the existing electricity MPRS system for the basis of a CSS should not be dismissed and an equivalent analysis conducted to provide a like-for-like cost comparison to evaluate which option potentially provides greater value for money for a robust service.

b) Reducing delivery risk

Full benefits of UK Link are still yet to be realised. BUUK, along with other IGTs have and continue to experience performance issues with key business processes. UK Link is still far from being a perfect functioning system; we view some aspects as still under development. This means that delivery risks for a UK Link derived CSS are not automatically *'significantly lower'.* As outlined above, BUUK does not rule out the use of alternative platforms such as MPRS being considered. The process of exploring other platforms' capabilities and drawbacks should enable firm grounding to assess whether UK Link is the appropriate platform to take forward.

As part of Project Nexus, IGTs took part in a large data cleansing and migration activity to ensure that the IGT data was SAP compatible. This was a hugely resource intensive activity, not only for IGTs but for Xoserve too, and implementation difficulties were experienced. For electricity, IDNOs use the same systems and data flows as DNOs and, therefore the data of IDNOs is much more likely to be consistent with that used by DNOs. However, at an industry level there are c29 million electricity supply points (compared to c23 million for gas). Migrating, data to a different platform poses a significant risk, particularly if data has to be "translated" to fit in with data structures and formats.

Notwithstanding, migration of only a segment of the registration data (electricity) would appear to be more pragmatic compared to migrating both gas and electricity data across to a new CSS. This is assuming, of course, that the migration of electricity data is, in itself, an efficient one. It would be useful

to assess in greater detail the scale of migrating the registration data; how Xoserve intend to do so; along with evidence of sufficient resource and allowing the industry to calculate costs that may be incurred.

It should not be assumed that there would be no further gas data management and there could well be a requirement to further transform gas data to align with the electricity data migration activity.

c) Investment and cost to serve

On the face of it, the reuse of UK Link appears to offer a cost-effective approach. However. in terms of service management, BUUK would suggest that industry confidence in UK Link service management is less than it should be in order to confidently make the required commitment and investment that is needed at this time. BUUK acknowledge that Xoserve, now under new leadership, have stated their intent to become a much more customer centric organisation. However, whilst we do not doubt the ambition, we are yet to see these changes in practice.

In addition, wider consideration should be given to costs to the BSC systems for potentially reconfiguring their systems to communicate with Xoserve.

Question 2: Are there other benefits that we have not identified?

In general, BUUK thinks that UK Link should be considered as *one* option for providing a CSS and integrating electricity without having to build an entire new system. Some alternative benefits that have not been identified in this consultation are listed below:

- BUUK, along with the majority of gas industry stakeholders, have only recently undergone a data cleansing and migration activity as a result of Project Nexus. The activity itself required a huge amount of resource retention and is something BUUK would prefer to limit to essential data management and to avoid duplication of previous data activity. Utilisation of UK Link would, for the most part, avoid having to migrate a large proportion of the registration data (gas).
- Xoserve has gained experience of delivering, albeit significantly late, the Nexus programme. We are told that Nexus is the largest SAP implementation globally. We believe delivery, to the revised delivery date of June 2017, was achieved only because of PwC and Ofgem becoming involved in the programme delivery. Notwithstanding the above, the experience and expertise gained from working in a collaborative way should not be ignored.
- Electricity data integration will be an important aspect of the project. Nexus saw industry expertise working together, at its best, in an extremely positive and productive way. To be able to utilise this output and gained experience again would be a great benefit to the overall CSS delivery.
- We have concerns with the way Xoserve engaged with participants throughout project delivery, and have identified that we only saw significant improvements following the engagement of PwC. However, we do not have any certainty that other providers will be any better. We think a robust informed assessment of the capability of Xoserve to successfully project manage the delivery of a UK Link solution, (and of other providers to deliver solutions) must form part of the procurement process.

Question 3: Do you see any particular risks or disadvantages? If so, please outline them.

We see the risks and disadvantages in two broad areas. The first is in respect of the capability of the system architecture to deliver the solution. The second is in respect of the capability of Xoserve to deliver the solution. We have already provided some comments in our request to question 1.

Other points are set out below

- The development and use of a UK Link solution may constrain the development of a more optimal provision; (i.e. the SAP architecture is unlikely to be a "perfect" fit for industry requirements). The use of an alternative system architectures may offer a better CSS platform. Until these options have been considered fully it is difficult to determine whether Xoserve, through the development of UK Link, offers a better, lower risk solution.
- The full benefits of the existing UK Link system have yet to be realised, making it difficult to determine the level of delivery risk. More time is needed to gauge UK Link system performance and to flatten out defects/issues before industry can put full confidence in UK Link as a viable CSS.
- Market participants have had a poor delivery experience with Xoserve. Customer relationships were not managed well. Nexus was originally envisaged to deliver in October 2015. It was only with and only following the engagement of PwC and Ofgem that external stakeholder engagement improved. With the experiences that the industry has gone through during Project Nexus, evidence is required to show how Xoserve are capable of delivering CSS. Without this, it would be difficult for BUUK to justify support for a UK Link CSS with a risk that industry could be investing in a flawed delivery.
- There is a risk that Xoserve will divert focus on winning any potential CSS contract at the expense of focus and ongoing delivery of the existing UK Link system.
- On the basis that CSS will be a gas and electricity platform, there is the question as to who will fund the cost of Xoserve undertaking the required analysis and potential bidding preparation work for activities that are not covered or funded for under the CDSP contract.
- Clear evidence is required to demonstrate that market participants will not be impacted by poor or hindered performance as they were during the Nexus project. Stakeholders should not be expected to commit to a service delivery where there is a fundamental lack of confidence.

Question 4: Under the current Xoserve CDSP governance do you believe there are any substantive obstacles to Xoserve's ability to participate in a competition? If so how could these obstacles be overcome?

BUUK is mindful of the large-scale governance changes that were introduced through the Funding, Governance and Ownership (FGO) review of Xoserve in April 2017. As FGO arrangements were developed without CSS in mind it will be important to understand how Xoserve would potentially perform a cross utility service under a set of governance arrangements that are currently gas market orientated and whether CSS is in fact compatible with the FGO arrangements.

Notwithstanding the above, though there are obstacles, these can be overcome with the right will and intent. We note that under electricity The Master Registration Agreement Company (MRASCo) became subsumed under Gemserv. Similar arrangements could be developed for Xoserve.

Whilst going forward a unified solution could deliver efficiency benefits by servicing both gas and electricity, it is important that there are no undue cross subsidies to the sunk costs of developing Nexus systems.

We agree that there are issues that can be easily overcome with cross industry support e.g. limitations on 3rd party services. However, if these changes/waivers are agreed, there must be sufficient protection still for the rest of the Project Nexus/UK Link platform. Any changes should not water down any of the existing FGO arrangements though more detail is needed to properly assess the implications and the level of industry engagement to make changes.

BUUK do agree that if Xoserve plan to tender for the CSS contract, the procurement process needs to be a fair and competitive one and needs to assess the capability of potential providers to deliver the solution.