

Rachel Clark
Programme Director
Ofgem
9 Millbank
London, SW1P 3GE

29 September 2017

Dear Rachel,

UK Link and the proposed Central Switching Service

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group, excluding Centrica Storage.

The industry has spent considerable amounts of time and money over the past few years to successfully deliver Project Nexus. Centrica agrees with Ofgem's assessment of the potential benefits that could be realised through delivering a Centralised Switching Service (CSS) based upon the new UK Link system and we welcome the proposals brought forward by Xoserve. These proposals should be given serious consideration and procurement arrangements should not disadvantage any solution that seeks to utilise existing industry infrastructure. Equally, we consider that the outlined benefit areas could potentially similarly be applied to the implementation of a CSS on other existing industry platforms.

We have a duty to ensure that the approach we take to procure and implement the CSS, is cost effective and delivers value for money to consumers, who will ultimately be responsible for paying for this reform through their energy bills. Given the interest shown by Xoserve and assuming that there may be interest from other parties that own and administer the existing industry systems, we would encourage Ofgem to consider allocating sufficient time ahead of the procurement process commencing, to evaluate whether the CSS could be delivered by utilising existing platforms, whilst still meeting the broader objectives of the programme, in order to minimise the risk of incurring unnecessary expenditure.

We remain concerned that the costs of procurement alone are anticipated to be ~£26m. It is therefore essential that the process undertaken for choosing the approach and technology the industry will take forward to deliver the CSS is appropriately considered and we do not rush into the process simply to meet arbitrary dates on a draft industry plan. The industry should ensure that we consider lessons learned from previous large programme implementations and do not make the mistake of right to left planning, particularly for a reform of this magnitude and cost.

Whilst Ofgem are not yet proposing a definitive delivery date for programme implementation, we are mindful of the expectations being raised that delivery could take place in 2020. We are of the view that this remains extremely challenging, particularly if the implementation approach introduces another new system on top of already extremely complex industry

arrangements. However, the utilisation of existing industry systems to deliver faster and more reliable switching may enable a less complex, less costly and subsequently more speedy implementation to occur.

Our response to the consultation questions are below. Please contact me or Adam Iles (adam.iles@centrica.com) if you have any queries or wish to discuss further.

Yours sincerely,

Graham Wood
Director, Industry Transformation & Governance

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

We agree with Ofgem's assessment as documented in 3.7 that there are potentially significant benefits that could be achieved through developing the CSS on the new UK Link platform.

At this early stage however, we have limited specific detail of the proposed solution and implementation plan / approach and therefore it is difficult to accurately assess the scale of these benefits.

The existing industry system landscape is already very complex with many systems and interfaces supporting key industry processes, requiring the exchange of numerous and often complex data flows. One of the initial stated objectives of the Switching Programme, was to deliver a simple and robust system architecture design; introducing another new system, with new interfaces and interactions, could add further complexity and additional failure points as we seek to maintain alignment of industry data across multiple systems.

The industry has already made significant investment in UK Link and other existing industry platforms (e.g. the DCC, MPRS), and we agree that it would be prudent to explore all of these as potential platforms upon which the new CSS functionality could be based, alongside other candidate solutions via the procurement process.

We would however encourage Ofgem to consider whether there is a benefit in further evaluating the potential for re-use of existing platforms ahead of the procurement process commencing to ensure that we continue to deliver value to consumers. We would not consider that spending such significant sums of money for the DCC to run a design and procurement process would deliver value to consumers, should that procurement process result in the selection of an existing provider, re-using an existing industry platform for the provision of the CSS (when delivery of that solution could potentially be undertaken at a fraction of the stated DCC design and procurement costs).

Clearly the industry faces an enormous task in cleansing, aligning and migrating industry data within the existing systems and to the CSS ahead of programme implementation, and we would anticipate that there would be significant reduction in cost and effort should we only need to migrate the data out of one system.

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

We have not identified any additional benefit areas over and above than those outlined in section 3.7, apart from the potential benefit of a more speedy implementation when compared to the introduction of another new industry system.

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

We see no risks or disadvantages to enabling Xoserve (or any other existing industry providers) from participating fully in CSS procurement activity.

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?

We welcome the participation of Xoserve in any CSS procurement activity and do not believe that there are any substantive obstacles that cannot be overcome should gas industry participants and Ofgem have the will to amend the existing governance and contractual arrangements which currently provide a barrier.

Given the current, indicative programme timetable issued by Ofgem, it is evident that in order for Xoserve to organise themselves in readiness to be able to actively engage in any procurement activity, any changes required need to be progressed and agreed/approved as soon as possible.

As the CSS is being procured on behalf of CSS Users it is essential that all possible options for delivery of the CSS are duly considered, with the cost and ease of implementation by CSS Users being given due consideration within the bid evaluation process. This will ensure that end consumers benefit from the most appropriate and cost effective 'overall' implementation.

Leveraging the significant financial investment that industry participants and ultimately consumers, have made in the new central gas systems needs to be seriously considered as an option and if there are differences in CSS User implementation costs, across various options being assessed under the procurement process, then these will need to be fully understood.

Whilst we recognise that GT's and IGT's may have little or no interest in the development of the CSS or Xoserve's potential involvement, all industry participants need to consider what approach and solution is ultimately best for the end consumer, alongside any individual commercial interests.

Changes to governance will need to be considered, progressed and approved by all DSC parties and we would encourage a collaborative industry approach to enable the early resolution of any obstacles. The potential 'timing out' of Xoserve's ability to participate in any procurement process would not be in the best interests of end consumers.