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Dear Rachel,

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

This submission was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This document is entirely non-confidential and may be published on your website. If you would like to discuss any matter raised in more detail please do not hesitate to get in contact.

Citizens Advice believes that consumers want and benefit from reliable switching in the energy market. A reliable switching system minimises erroneous, delayed and failed transfers between suppliers. Ofgem's own consumer research¹ shows the important effect that reliability in the switching process has on consumer trust in the energy market as a whole. A poor switching experience can jeopardise future engagement and reduce propensity to switch. Citizens Advice supports faster switching that can be achieved in such a way as not to jeopardise the reliability of the switch.

The creation of a Central Switching Service (CSS) should improve the reliability of switching. Xoserve makes a persuasive case²³ that its UK Link SAP IS-U meets many of the stated objectives of the CSS. Citizens Advice believes that the UK Link option should be explored thoroughly. Xoserve should certainly be able to bid into the Data and Communications Company (DCC) competitive tender for the CSS. It could also

¹ Results of research on unreliable switching, Ofgem, 21st September 2017
https://www.ofgem.gov.uk/system/files/docs/2017/09/consumer_research_unreliable_switching.pdf

² The Potential Role of UK Link and Xoserve in Faster Switching, Xoserve, 25th July 2017
<http://xoserve.com/wp-content/uploads/UK-Link-and-Xoserve-Faster-Switching.pdf>

³ Faster Switching consultation response, Xoserve, 25th September 2017
<http://xoserve.com/wp-content/uploads/Xoserve-Faster-Switching-Consultation-Response.pdf>

prove less costly to industry (and ultimately consumers), and less risky for the programme to scrap the tender process altogether and appoint Xoserve directly to provide the CSS. If Ofgem proceeds with the tender process, Ofgem will need to amend various codes and licence conditions relating to the Xoserve governance framework to allow Xoserve to participate. We believe that Ofgem has comprehensively identified the various changes required.

Our general preference is for large-scale industry system changes to be procured through an open and competitive tender process. In most cases, competition will be the best means of securing information about possible design solutions and putting downward cost pressures on procurement options. A well-run tender process should deliver the most efficient long-term design solution and keep costs low for consumers.

However, we recognise that the Xoserve bid will – uniquely among possible tenders – be capable of leveraging existing industry infrastructure. We expect most suppliers will find that costs are lower – and easier to estimate accurately – for leveraging an existing industry system than for a newly procured system. It is likely that suppliers will prefer engaging with a system they are familiar with and that is compatible with their existing processes. If the value already present in the UK Link system is correctly captured during the tender process, it seems likely that Xoserve will win.

While Citizens Advice generally supports a competitive tender process for the procurement of industry systems, Ofgem and the DCC should consider appointing Xoserve without competition in this particular instance. Appointing Xoserve directly has the potential to deliver two substantial benefits to the switching programme:

1. **Reducing the overall cost of the programme, lowering the costs faced by consumers.** Using UK Link could decrease the costs created by the switching programme. For instance, based on the DCC Business Case⁴, the procurement and specification cost of the new CSS could rise to over £10 million. Many of these costs could be avoided if Xoserve was appointed directly to provide the CSS based on UK Link. It may also prove to be less expensive to appoint an established industry body such as Xoserve to provide the CSS.
2. **Reducing risks to the programme.** Using UK Link could reduce delivery risk. Recent energy industry IT projects have generally overrun and any options that

⁴ DCC Business Case for DCC activities during the Transitional Phase of the Switching Programme, DCC, 29th March 2017, para 25
https://www.smartdcc.co.uk/media/429248/dcc_switching_business_case_v3.0_redacted_clean.pdf

could prevent similar overruns with the switching programme should be explored thoroughly. Any overruns will reduce the benefits to consumers outlined in Ofgem's switching blueprint impact assessment⁵ and may have consequential impacts on other industry change programmes, e.g. market wide half-hourly settlement.

Ofgem and the DCC should work together to determine how likely it is that Xoserve will win the tender process based on the specification for the CSS. Ofgem should publish its assessment of the potential cost savings and de-risking benefits that could arise from scrapping the competitive tender process and appointing Xoserve to develop UK Link. Xoserve plans to demonstrate⁶ how UK Link could be used as the basis for switching, and any assessment should consider the results of that demonstration. The tender process should only be taken forward if there is a reasonable chance that another procurer, perhaps offering an innovative design solution that will reduce costs in the medium- to long-term, will be successful.

The investment in a CSS is a major opportunity to improve the reliability of switching for consumers. To deliver the most benefit for consumers, the CSS system should:

- minimise process failings such as erroneous, delayed or failed transfers that lead to customer dissatisfaction and potential disengagement in the energy market.
- deliver a reliable dual fuel switching system that minimises disruption to existing industry processes, suppliers and consumers.
- enable consumers to switch with equal speed and efficiency when they engage with suppliers, price comparison websites or other third-party intermediaries.
- learn from previous large-scale industry changes, in particular Project Nexus.
- support the expected increase in meter readings that will be brought about through the smart meter roll-out.
- ensure that consumers' personal data is protected.
- protect consumer information from cyber security threats.

If you have any questions about this response, please contact Alex Belsham-Harris (alexander.belsham-harris@citizensadvice.org.uk) or Stew Horne (stew.horne@citizensadvice.org.uk) in the first instance.

⁵ Delivering Faster and More Reliable Switching Impact Assessment, Ofgem, 21st September 2017
https://www.ofgem.gov.uk/system/files/docs/2017/09/delivering_faster_and_more_reliable_switching_impact_assessment.pdf

⁶ Faster Switching consultation response, Xoserve, 25th September 2017
<http://xoserve.com/wp-content/uploads/Xoserve-Faster-Switching-Consultation-Response.pdf>

Yours sincerely,

Tom Lowe

Consultant, Citizens Advice

Consultation questions

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

Citizens Advice accepts the benefits outlined in 3.7a-c and recognises the potential benefits to consumers of using existing system infrastructure rather than entering a procurement process to build a newly procured system from scratch. Using existing infrastructure may reduce the costs of the CSS, reducing the overall costs faced by consumers. Ofgem and the DCC should determine how likely it is that Xoserve will win the tender process based on the technical specification for the CSS. If the value already present in the UK Link system is correctly captured during the tender process and Ofgem and the DCC considers that it is likely that Xoserve will win the competitive tender process, then not running a competitive tender process may lower the costs faced by consumers. Ofgem should publish this assessment.

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

None that we have identified.

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

The disadvantages to including Xoserve in any competitive tender process for the CSS include:

- The amount of time and effort required by Ofgem and other industry bodies to address gaps in the current Xoserve governance arrangements to allow Xoserve to compete in the tender process and to provide the CSS.
- The difficulty in correctly valuing the benefits of leveraging existing systems such as UK Link against any other procurer in the competitive tender process.
- The inclusion of Xoserve in the tender process may reduce the potential for any other procurer to win that process - this may discourage other bidders.

The main disadvantage to not running a competitive tender process and appointing Xoserve directly to provide the CSS is that innovative design solutions that could lower system costs in the medium- to long-term may not be considered.

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?

No. The current governance arrangements for the CDSP could, with sufficient amendment from Ofgem, allow Xoserve to participate in a competitive tender to provide the CSS. Ofgem clearly outlines the issues that would need to be overcome to allow Xoserve to participate. We appreciate that some of the solutions to these issues may not be particularly elegant, that the changes will require Ofgem's time and effort, and any work undertaken by Ofgem may quickly become obsolete if Xoserve does not win the tender. It is not for Citizens Advice to recommend how Ofgem best facilitates Xoserve participation.

It is important that any modifications to Xoserve's governance framework should not delay the decision to appoint a body to deliver the CSS or delay work on developing the CSS.