Switching Programme
EDAG 15

30 November 2017

10.00	1. Welcome & introductions	10 mins	Arik Dondi
10:10	2. RP2a optimisation	60 mins	Andrew Wallace
11.10	3. Switch speed and transitional arrangements	40 mins	Rachel Clark
11:50	4. Communications network	20 mins	Rachel Clark
12:20	Lunch		
13:00	5. Regulatory framework	20 mins	Caroline Ainslie / Jon Dixon
13:20	6. Consumer Enquiry Service	30 mins	Andrew Wallace
13:50	7. AOB	10 mins	Arik Dondi

RP2a optimisation

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Question 1: Do you agree with our assessment that RP2a provides the best value option to reform the switching arrangements for consumers, and with the supporting analysis presented in this consultation and the accompanying IA? If not, please provide evidence			
SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 23	Total = 14	Total = 9	Total = 11

Of those that do not support RP2a

- One favours RP2/3
- Two want a pause in the programme to consider wider strategic developments eg around blockchain
- Five prefer RP1
- Two want RP1 with an enduring address management service
- One wants more analysis before taking a view

- Broad agreement with the overall approach followed by Ofgem for the analysis

- Some raised specific concerns:
  1. Treatment of uncertainty in relation to costs and benefits
     - Some costs have been assumed
     - Small changes to assumptions might have big impacts – wide NPV range
     - Challenge limited use of sensitivity analysis to test some assumptions
  2. Recent announcements on price caps, which would affect benefits case by reducing
     - Number of switches
     - Consumer savings
  3. Additional costs for 2 stage transitional phase not accounted for in Impact Assessment
  4. Delivery risk of different options partially accounted for in analysis
  5. Length of assessment period – 18 year is too long
  6. Barriers to entry/competition- significant investments required which might lead to some suppliers leaving/not entering the industry and result in a reduction of competition

- We will update on this points at the EDAG meeting in December

Question 2: Do you agree that CSS should include an annulment feature which losing suppliers can use to prevent erroneous switches? Please provide evidence alongside your response. If you are a supplier, please support your answer with an estimate of the number of occasions over the past 12 months when you might have used such a feature had it been available.

SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 23	**Total = 7**	**Total = 22**	**Total = 5**

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- Significant potential for misuse and therefore requires strong performance assurance framework (views provided on what performance assurance framework should include)

- Limited time for annulment to be used in next day switching (many thought it would be effective in a 5WD switch). However, no direct reference to use of electronic communication with consumers which seems more likely over the lifespan of new switch arrangements

- Strong steer that annulment only to be used when customer contacts losing supplier to say that they have not entered contract with another supplier. Must not be used to artificially lengthen objections window, for win backs or to manage cooling off process

- One supplier suggested trialling service during transitional phase

- One party wanted to include reason for annulment when raised by losing supplier

- Limited stats on when it might have used in last year

- Our initial view is that:

  - An annulment process should be included in RP2a
  - Requires an effective performance assurance framework
  - Will only be permitted where a customer has informed the losing supplier that it has not entered into a contract with another supplier
  - Losing supplier must retain evidence of the customer request
  - Process designed so that can be easily turned off

- We recognise the risk of misuse by the losing supplier. Further work required to define the performance assurance regime requirements to mitigate this risk.

- If data quality is significantly improved so that an annulment process is not needed, we can remove the service. We anticipate that it will be more cost effective to include the annulment process in the design now rather than include post go-live.

Question 3: Do you agree that CSS should always invite the losing supplier to raise an objection, even where the Change of Occupancy (CoO) indicator had been set by the gaining supplier? If you are a supplier, please support your answer with evidence of the number of times in the past 12 months that you have raised an objection where the Change of Tenancy (CoT) flag had been set.			
SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 26	Total = 1	Total = 25	Total = 5

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- As with the annulment process, significant potential for misuse and therefore requires strong performance assurance framework (views provided on what the performance assurance framework should include)

- Compliance issues thought to be with non-domestic market. Mixed views on whether ability to object (where there is an CoO flag) is required for domestic market

- Some parties noted that there were compliance issues with gaining supplier incorrectly including a CoO flag as well as the losing supplier objecting where there was a genuine CoO

- One supplier said that there was not enough time to check the CoO flag in the two working day period

- Limited stats on when it might have used in last year

- Our initial view is that:

    - Losing supplier should be invited to object in the non-domestic and domestic market
    - Requires an effective performance assurance framework
    - The gaining supplier must retain evidence of CoO
    - The losing supplier must retain evidence of why they think a CoO has not occurred
    - Potential for guidance to both losing and gaining supplier
    - Process designed so that can be easily turned off

SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Question 4: Do you agree that use of the annulment and CoO features should be backed by a strong performance assurance regime? Please comment on ways inwhich such a regime could be made most effective, and back up your response with evidence.			
Total = 33	Total = 3	Total = 20	Total = 1

- Some concern over the potential for heavy handed monitoring
- Lots of ideas for how an effective performance assurance regime should operate:
  - Views on who should be responsible (Code body, Ofgem role in enforcement)
  - Where rules set out (code and/or licence)
  - What reporting was required (including role of central reporting)
  - All suppliers to be included in scope
  - Potential for compensation arrangements
  - Name and shame etc etc

Question 2: Do you agree that we have selected the appropriate policy option around objections, cooling off, meter agent appointment and MCP ID for each reform package?			
SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 12	Total = 6	Total = 37	Total = 2

- Broad support for our policy options

- **Objections**
    - One party concerned that working day objections meant that suppliers would still need to operate annulment and switch withdrawal on non-working days
    - One party wanted the same objection window for domestic and non-domestic to reduce complexity

- **Cooling off**
    - One party concerned that arrangements will be complex for consumers to understand

- **Agent appointment**
    - One party did not see a need for the CSS to send notifications to the losing agent on change of supply

- **MCP ID**
    - Only received supporting comments

- The issues raised by parties have been thoroughly considered in the development of the policy proposals and the reasons for our proposals are described in the September consultation and associated papers.

- Taking into account the responses received and the arguments that we have previous made, our initial view is that we should retain our policy proposals on objections, cooling off, agent appointments and MCP ID as described in September

Networks raised a number of concerns on RP2a (reviewed at 22 Nov meeting with Networks)

Issue	Initial view
Concern that networks would be required to replace the meter point location (a data item they currently own) with the REL	REL and meter point location have different purposes and may legitimately be different addresses. Networks will continue to hold and own the meter point location
IGT concern that the proposed initial registration process would prevent them from carrying out bulk registrations	E2E design does not prevent IGTs from undertaking bulk registrations. Further work to identify any Operational Choreography constraints between IGTs, UK Link and CSS that may cause delays in the registration appearing in CSS.
Some DNOs want MTD and MAP ID to be retained in ECOES rather than being housed in MPRS as they do not own the data and have no basis upon which to validate it	DNOs will not have responsibility for the quality of this data. At most they may have reporting obligations to enable the relevant governance party to monitor the quality of the data and take action against the owners of the data.

Issue	Initial view
What is the process for LSP gas switches that also require a concurrent change in capacity	Update to be provided at EDAG
What switch timescales will be applied if loosing and gaining suppliers have different views on whether a customer is domestic or non-domestic?	When the first supplier at an RMP registers to that RMP, they will submit a switch request that includes a dom/non-dom flag. This flag will become the status of the RMP. When the customer switches and another supplier submits a switch request (which includes a dom/non-dom flag), the objections window will be determined by the flag set by the incumbent supplier. When the switch is executed, the incoming supplier's flag will become the flag associated with the RMP. In effect, the losing supplier is in control of the length of the objection window, and will know what to expect. For the avoidance of doubt, the invitation to object will contain a deadline for response.
How will unmetered supplies be treated?	The same as any other supply point – they are still able to switch. These RMPs will have an 'unmetered' indicator in CSS, and the notifications that would usually go to MEMs will go to the Unmetered Supply Organisation instead.

Switching speed and transitional arrangements

Question 6: Do you agree with our proposal to have a three-month transition window (aiming to protect reliability) during which time suppliers have to meet additional requirements if switching in less than five working days? Please support your answer with evidence.			
SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 12	Total = 26	Total = 12	Total = 7

The following do not support:
- Two suggest that reliability should be tested and issues resolved before go live
- Four said it would be costly and inefficient to have a two stage process
- One suggest it would be confusing for customers so make reliability changes prior to the new switching arrangements going live

- Most respondents felt that the end of the transitional period should be dictated by objective criteria rather than an arbitrary date

- 3 months is unlikely to be long enough to get robust data on the impact on erroneous transfers because there tends to be a 2-3 month lag in them coming to light. Alternatives of 6 months and 12 months were proposed.

- Some felt that any transition period would add unnecessarily to costs and were keen to see sufficient testing of the impact of the data remedies ahead of go-live to allow for no transition period.

- Allowing switching in less than 5 working days during the transitional period could lead to poor consumer outcomes and consumer confusion

- Additional testing would be needed for any suppliers switching within 5 working days during the transitional period

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- Our initial view is that:

  - It is sensible to have a transitional period with the expectation of 5 working day switching to test the impact of the data improvement remedies on the erroneous transfer rate

  - That transitional period should be long enough to get robust data on the rate of successful switching

  - That we should set objective criteria on the level of successful switching that would determine the end of the transitional period

  - We continue to believe that suppliers should be able to switch faster than 5 working days, and up to next working day, during the transitional period if they can do so without detriment

  - We will bring forward proposals on the obligations and/or testing criteria that suppliers would have to meet to be able to switch faster than 5 working days during the transitional period

Question 7: Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within five working days of the contract being entered into (subject to appropriate exceptions)? Please support your answer with evidence.

SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 20	Total = 12	Total = 18	Total = 7

The following do not support:
- Two suggest that change is not needed as suppliers will compete
- One suggests that there is no evidence that speed will impact engagement
- Three said it was too early to set speed requirements and that this should be revisited once the switching arrangements were in place
- One wanted the default speed to be next day

- The choice of switch date should sit with the consumer

- Why not introduce a principle based requirement to switch in a quick and timely manner

- The 5 working day regime is not appropriate for non-domestic

- 5 working days may not be appropriate for PPM where a top-up key has to be issued

- The requirement will add complexity to reporting, especially where customers don't want to switch in 5 working days and this has to be captured for reporting

- The requirement will be unenforceable in practice

- Would like a transitional period for reporting on the new requirement

- Our initial view is that:

  - We agree that customer choice is key
  - We believe that it is important, to support competition in the market, that faster switching should become the norm
  - We should therefore introduce a requirement to switch a customer within 5 working days of entering into a contract, unless the customer has requested a later date
  - This would apply to non-domestic, noting that most, in particular most large non-domestic customers, will request a date some way in advance
  - The requirement would apply to PPM, and suppliers should put in place processes that ensure that top-up keys can be received by customers within the 5 working days
  - We will consider the reporting requirements required to demonstrate compliance

CSS communications arrangements

Question 5: Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?			
SUPPORT	QUALIFIED SUPPORT	NEUTRAL	AGAINST
Total = 20	Total = 11	Total = 10	Total = 16

Of those that do not support:
- 13 favour DTN appointment
- Two favour appointing the IX Network
- One wants more analysis before they can provide a view
- Many of those that are against, stress that they support the principle of competitive procurement, but not in this instance:
  - Inefficient duplication of service
  - Electralink already competitively procure the DTN

- Competitive procurement should provide the best outcome, BUT

- Creating a new network would add complexity and cost
- Existing providers should be encouraged to bid into the procurement
- Electralink and Xoserve competitively procure DTN and IX respectively so there is no additional competitive benefit from getting DCC to procure a comms network
- Some argue that we should keep DCC's role as limited as possible
- Many wanted industry on the selection panel to ensure the solution meets the needs of industry

- Recognising the strong support for re-use of existing systems, and the support for competition, our initial view is that:

    - We should explore the potential to specify the CSS so that market participants can communicate with it using either DTN or IX, at their choice;
    - New networks could be added in the future if the provider of the network was prepared to meet costs of testing etc

- This would require appropriate commercial arrangements to be put in place between DCC and DTN/IX
- This solution would allow market participants to choose which network to use and support competition between the networks for traffic
- There would be a greater integration and testing requirement than if one network only were to be used
- The opportunity for an innovative approach to comms would be delayed until after go-live

Regulatory framework

Question	High level summary
Q8: Do you agree with our proposal to create a dual fuel REC to govern the new switching processes and related energy retail arrangements?	Of those who provided explicit comment on this, there was near unanimous support for the creation of a REC – only one opposed
Q9: Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the Switching Programme?	• Respondents generally agree with initial scope as set out in consultation • Some felt that we should be more ambitious and ensure consolidation as part of the programme – ensuring cost efficiencies are realised • Some felt we were too ambitious, noting time taken on, for example, incorporating GDAA into MEC. Possible scope to utilise existing arrangements should be further explored
Q10: Do you agree with our proposal to modify the DCC's licence, in order to extend its obligation to include the management and support of the DBT and initial live operation of the CSS?	Whilst many agreed with DDC management and support for DBT stage, several were concerned that DCC is unproven and/or costly. Several of those in support of DCC fulfilling the role wanted clarity on how long it would perform the role for, and/or suggested that tighter cost control would be needed.
Q11: Do you agree that there should be regulatory underpinning for the transitional requirements and that this should be contained in the REC?	General support for principle of providing governance/regulation over transitional activities. Several pointed to lessons learnt from other programmes. Some split in views on whether governance in REC-alone would be adequate or should be supported by high-level licence obligation(s)
Q12: Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised SCR scope?	Nearly all respondents who commented supported the use of option 3 – an Ofgem-led approach
Q13: Do you have any comments on the indicative timetable for the development of the new governance framework?	Most respondents considered the timetable to be challenging, but recognised need to match wider programme, timing of which may itself be reviewed. Minority felt not ambitious enough.

Consumer Enquiry Service (CES)

1.   Overview of RP2a assumptions

2.   Review of alternative models and implementation approach

3.   Next steps

- Assumed DCC would deliver CES at same time as CSS

- IA assumed 2 million consumer enquiries
  - 80% handled through website, 20% by phone, of which 90% IVR
  - No email
  - Complex queries (eg linked to new connections) handed over to GTs and DNOs

- Single, consistent service easier for consumers to find and use (improves engagement and reliability)

- Provides a material cost saving

- Remove existing network licence requirements

- Before undertaking further design and development work we want to review our assumption that DCC is best placed to deliver the CES

- The market is changing
  - Will customers continue to use/need the service?
  - Can consumers get the information they need from a smart meter?
  - Will midata provide an alternative mechanism for consumer data access?
  - PCWs could provide this information once they have API access to DES and ECOES

- Changes to the data protection rules (GDPR) need to be considered to ensure that access to data is compliant with these rules

- Are there any other factors that we should be considering?

- **Option 1:** Networks provided CES
  - Licence obligation on GTs and DNOs to work together to provide a common web service and a single telephone number

- **Option 2:** MIS provided CES
  - Builds on web data services provided to industry
  - Would require an additional telephone service for consumers

- **Option 3:** PCW provided CES
  - PCWs will have API access to data and could provide this to consumers
  - PCWs may want to offer this service as it provides an opportunity to sell services
  - However, there is no guarantee that this service would be offered and on the quality of this service
  - How would this work in the non-domestic market which relies more on brokers

- **Option 4**: Other agency (eg Citizens Advice) provided CES
  - This could for example be procured by an industry code (eg the REC) or by Networks to discharge a licence requirement

- If the CES accesses data from the CSS then it would need to be implemented at the same time or after

- If the CES accesses data from DES and ECOES/MIS then it could be implemented earlier than the CSS

- The options have different delivery risks. Linking the CES to the CSS would appear to have a higher delivery impact on the overall Switching Programme than other options

- Further work required to develop funding and governance arrangements for each option

- Are there likely changes to consumer demand for this service that we should take into account

- Have Networks tested their current arrangements against the GDPR requirements?

- Do you have views on the delivery models?
    - DCC provided CES
    - Network provided CES
    - MIS provided CES
    - PCW provided CES
    - Other agency (eg Citizens Advice) provided CES

- Do you views on the implementation risks of the different options?

- Are there any other issues that we should take into account?

AOB

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