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Dear Rachel

ESP's response to Ofgem's UK Link and the proposed Central Switching Service consultation

I am writing on behalf of ESP Utilities Group ("ESPUG") (comprising the licenced companies ES Pipelines Ltd, ESP Connections Ltd, ESP Networks Ltd, ESP Pipelines Ltd and ESP Electricity Ltd) in response to your 27 July 2017 consultation titled "UK Link and the proposed Central Switching Service".

In summary, while we do consider there to be risks and barriers associated with the use of the UK Link platform in delivering the CSS, they need not prevent Xoserve from submitting a bid to support the delivery of CSS. Addressing such issues will enable Xoserve to demonstrate the value they may bring in delivering a UK Link based CSS through the DCC-led procurement process.

I have outlined our concerns as part of each response to the questions posed in your consultation document.

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?

ESPUG response: In principle, we agree that the use of the UK Link system may bring about the benefits outlined in 3.7 a – c of the consultation document, but we note that:

- Delivery risk may be lower for those parties (predominantly gas market participants) who currently share an interface with Xoserve, however electricity market participants may face increased delivery risk through the use of the UK Link platform – particularly when compared against solutions based or modelled on platforms that electricity market participants use; and
- Solution Architecture and Investment Cost benefits are only relative to the alternative solutions that may exist. For example, a new interface may require greater capital investment than a UK Link based solution, but it is possible that the

operating costs associated with a new platform may see total costs decrease as a result.

The benefits of using the UK Link platform should not be considered in isolation. Instead, the relative benefits should be assessed against the prospective alternative CSS service provider solutions.

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

ESPUG response: None that have not already been set out in Ofgem's consultation.

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

ESPUG response: We have a number of concerns, some of which Ofgem alludes to in its consultation document. These concerns are as follows:

- Costs and any other potential liabilities relating to the Xoserve bid for, or the delivery of, the CSS platform must be borne by the beneficiaries or potential beneficiaries of the CSS services.

It is not clear to ESPUG how Xoserve intends to fund any bid to become the CSS provider, nor how ESPUG might benefit should Xoserve be awarded the CSS contract by DCC. As such, we would be reluctant to support any bid by Xoserve where ESPUG would see an increase in our CDSP charges – particularly if the benefit of doing so was not made clear to us.

With respect to other liabilities, the CDSP contracts are weighted heavily in Xoserve's favour. For example, where Xoserve incur a liability arising from a third party claim, the DSC is drafted to ensure such costs are passed through the DSC Parties – so protecting Xoserve. ESPUG could not accept being exposed to (the risk of) additional liabilities due to the growth of any Xoserve activity that does not directly benefit ESPUG or our customers (where an Xoserve service is provided on ESPUG's behalf). By contrast, we would not agree to such limitations of liabilities with any commercial IT service provider.

- We would like to ensure that the funding mechanisms and other resources for (1) registration systems and (2) CSS procurement and delivery activity are ring fenced from one another. There should be no cross subsidy between the two services – any budget surplus or deficits should be managed separately through distinct governance arrangements. Resources should be clearly assigned to services to ensure the standards of existing registration services do not slip at the expense of Xoserve's bid for and/or delivery of the CSS service.
- Our final concern relates to the Xoserve costs industry may incur should Xoserve not be selected as the CSS provider. An example of this is the costs associated with the migration of data. Costs associated with such activity must be scrutinised and controlled to ensure that Xoserve's costs (and, equally, any other third party service providers' equivalent costs) do not prohibit other solutions from being economic and competitive.

Ofgem has suggested that an Xoserve subsidiary could be established under which to bid for and operate the CSS (should it be successful). ESPUG supports this approach, noting that the CSS subsidiary's associated commercial terms, funding and governance arrangements would have to be separate from the CDSP service and tailored to reflect the parties benefiting from Xoserve's bid for and potential provision of the CSS. We note that such separation could be achieved without the creation of a separate subsidiary company (e.g. through ring fencing of funding and governance), but I note that other industry participants are better placed to advise on the benefits of each approach (e.g. GDNs, Xoserve, Elexon).

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?

ESPUG response: In addition to the issues already set out in Ofgem's consultation and this response, we do not wish to highlight any further obstacles.

In terms of solutions for overcoming these obstacles, we would reiterate our strong view that any Xoserve CSS bid, delivery or operation activity is ring fenced from the existing CDSP services. Providing robust arrangements are introduced to achieve this separation, ESPUG believes it would be beneficial to take the actions necessary to enable Xoserve to bid to become the provider of the CSS. In turn, this will allow DCC (and other relevant parties) to assess the relative benefits of using the UK Link platform as the basis for CSS against the alternative solutions/providers.

Yours sincerely,

Adam Pearce

ESP Utilities Group Ltd