

Switching Programme,
Ofgem,
9, Millbank,
London
SW1P 3GE
By E-mail:
Switchingprogramme@ofgem.gov.uk

15th September 2017

Dear Rachel,

Thank you for the opportunity to comment on your consultation: UK Link and the proposed Central Switching Service, dated 27 July 2017.

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?

Solution Architecture

Using the existing UK link system to deliver a central switching service may result in a simplified market landscape and reduce the burden on Shippers and Suppliers through a reduction in Industry Governance requirements, legal and contractual agreements. Along with reduced integration costs these in turn reduce Supplier operating costs, savings which may be reflected in consumer prices. It should however be noted that due to the current separation in Industry Governance between gas and power a solution may be complex and require Ofgem intervention. Using an existing, yet to be fully proved system does not necessarily achieve the delivery of a more reliable system. All avenues should be explored by a tender process that substantiates any recommendations with clear evidence.

Reduced Delivery Risks

There are no doubt benefits to increasing the capacity of, or using an existing system to deliver the solution. A fair approach would need to be defined, not all Suppliers have SAP based systems that may integrate more efficiently with the UK Link System and this would need to be reflected in both development timescales and implementation. We would also question the efficiency of migrating data between systems which increases the risk of data corruption or loss. Perhaps a more suitable solution may be to retain current databases that can be accessed by an over-arching web based system.

While accepting that delivery risk could be reduced by utilising an existing platform we would urge careful planning and the setting of realistic timescales since continued delays result in additional replanning and cost to suppliers, and ultimately consumers. We would not expect the project to be delivered without suitable project assurance which was needed to deliver project Nexus. We also note that elements of Project Nexus are still yet to be delivered.

Investment and Cost to serve

A reduction in capital investment is welcome and in the long term benefits the consumer if the Industry uses assets efficiently. This can only be established by a full transparent tender process administered by an independent party.

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

Whilst the benefits stated are plausible any benefit realisation will only be delivered through successful management of the project and by a value for money tender process. It is recognised that a high value tender process may undermine any considerable savings achieved by the industry. The key question is which party(s) should shoulder the risk of bidding for the CSS system delivery.

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

Unfortunately Xoserve may only be judged on their last project delivery which was Nexus. It was fraught with issues, delivering late and requiring significant programme assurance. This created additional costs for Energy suppliers and ultimately the consumer due to the system development, extension of Supplier's own internal development programmes and the significant re-planning that was required.

Despite this we recognise that delivering such a large project is not an easy task and we hope that lessons have been learnt which should result in Xoserve being in a strong and experienced position for future project delivery. We believe that they have acknowledged many of these issues and embarked on a significant culture change. We would however gain further assurance if correct and experienced partners are procured to support delivery of the CSS. In addition the use of the SAP IS-U, which as noted in the consultation, is a widely used, should result in known development timescales but again urge caution and encourage left to right planning rather than right to left.

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?

Current Governance arrangements do not allow Xoserve to participate in a bidding process or deliver the CSS solution. In our view there are three potential options to allow participation:

- 1.) Changes to Licence Conditions
- 2.) Changes to the CDSP to allow a commercial arm or separate "spin off" company to bid for the CSS.
- 3.) Change to the CDSP to accommodate Xoserve's bid for the CSS allowing it to provide services to non-UNC parties above the current cap level.

It is worth noting that each of the potential solutions carries different risks, different complexities and a number of issues. A contentious issue will be allowing Xoserve to recover funding from Industry parties and the correct industry parties, some of which will not be acceded to the UNC or CDSP. GTs and iGTs will also have very little interest in funding the development of as CSS. There is currently no

dual fuel funding mechanism which will create issues around equitable industry settlement of the associated costs for bid and potential future delivery.

A change to the CDSP will require an industry modification, legal text and review however will not entitle Xoserve to access and use electricity industry data alone.

Allowing Shippers and or Suppliers to fund Xoserve's bid for the CSS may set a dangerous precedent which may wish to be replicated by other parties bidding for CSS provision.

Xoserve is known to be exceptional at its core service provision to industry parties and carries a significant amount of Industry expertise. Allowing the creation of a separate commercial company to provide the CSS risks a significant migration of resource and focus.

In summary we can see and agree with many of the benefits stated in the consultation however without a transparent tender process to provide Suppliers with a comparison that includes financials it is only possible to support it in principle and encourage changes to allow Xoserve an appropriate opportunity to bid for CSS delivery.

If you have any further clarification on this letter please do not hesitate to contact me.

Yours Sincerely

Edward Hunter

Regulatory Manager

Email: Edward.Hunter@extraenergy.com

Web: www.extraenergy.com