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UK Link and the Proposed Central Switching Service consultation

Dear Rachel,

Npower welcomes the opportunity to respond to this consultation.

In summary, we agree that Xoserve should be allowed to tender for the Central Switching Service (CSS).

We understand Xoserve can claim that they have recently successfully completed a major programme of change (Project Nexus) and that benefits will be from extending an existing system rather than creating a new dual fuel system. However, lessons learnt should be taken from Nexus (it was only successfully delivered after Ofgem took a leading role) and should Xoserve become the CSS, the implementation programme should be managed in a similar way to projects FGO and Nexus, i.e. being managed by a third party.

Decision on the CSS provider, be that Xoserve or another party, should be determined through a robust, transparent procurement process and we would expect Xoserve's tender proposal to address themes expressed within this response.

The main assurance Xoserve must provide in their tender proposal is reliability; reliability to change of supply process, reliability of existing processes and most importantly reliability to customers.

I trust you find this response gives you the required information you seek, however, if you require anything further, please do not hesitate to contact me.

Yours sincerely,

By email

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Npower responses to the consultation questions

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?

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

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

Npower combined response to Q1, Q2, Q3

There is merit in the suggested benefits. Logic would suggest that developing an existing gas system to include electricity, rather than building a new dual fuel system from scratch, should have cost benefits.

In theory the benefits seem sound, but without knowing more detail, for instance how the current CSS design fits with the UK Link system of today, it is difficult to give a definite agreement or challenge to them. If there is a large systems gap, then it could be difficult to re-engineer, so we need to understand the gaps and benefits of this compared to other tender proposals. We should not take for granted Xoserve can deliver the CSS at low cost; we need to weigh up cost versus quality.

Consultation questions and further questions should be answered within Xoserve's tender proposal. We would also expect Xoserve tender proposal to include impact on costs, as we would expect these to rise as interactions with the system would increase.

The fact that Xoserve have recently delivered a major industry change, means that people, experience and lessons learned are still fresh in the mind, so should be of benefit. With regards to lessons learned from project Nexus it should be noted that the programme was poorly managed until Ofgem intervened. That said, once Xoserve did not have to concentrate on managing the programme, they did successfully deliver project Nexus. If Xoserve win the tender for the CSS we would want assurance a separate programme manager would be appointed so Xoserve can concentrate on quality of delivery.

With regards to risk, we feel the main consideration should be whether Xoserve can successfully deliver and manage both the dual fuel change of supply processes along with business as usual gas settlement processes, and also deliver changes to UK Link as ratified by the DSC Change Management Committee . If Xoserve do become the CSS, Shippers would want liabilities set up in a way that ensures we are not held to account should Xoserve fail in any of its duties in managing the CSS.

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?

Ofgem have identified the obstacles to Xoserve's ability to tender for the CSS.

We feel approval for Xoserve's suggested proof of concept could be given by the Contract Committee, cost and time permitting, without need for approval from the Xoserve board or Ofgem.

Permission to formally enter the tender process should firstly be obtained from Xoserve board, this is due to the financial investment required and substantial responsibility of managing the CSS. The Gas Transporters are not directly impacted by the change of supply process so may feel the risk to settlement and their impacted processes is too great.

Should Xoserve board agree to Xoserve entering the tender process it appears Ofgem will need to give approval due to the Funding, Governance and Ownership arrangements.

END OF RESPONSE