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28 September 2017

Dear Rachel,

### **UK Link and the proposed Central Switching Service**

Thank you for the opportunity to respond to your consultation in relation to the above<sup>1</sup>.

For the purposes of ease of comparison with other respondents, we have structured our response around the questions as 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?**

We agree that there would naturally be considerable benefits in utilizing an existing system. Our comments in relation to each benefit identified in the consultation are as follows:

##### **a) Solution architecture.**

UK Link and its associated management is a fundamental element of the centralized arrangements which already exist within the gas market. We consider that the use of this existing platform could create the opportunity to extend the benefits of centralization to the electricity market, where there is a relatively higher degree of disparate and duplicate arrangements. We therefore support the proposal that the market landscape could be simplified such that industry parties would be required to interact with fewer systems. On the assumption that fewer interfaces result in a diminished risk of erroneous transactions and manual interventions, this would be of significant benefit in terms of the reliability of switching activities.

##### **b) Reducing delivery risk.**

We agree that the use of an existing platform could significantly mitigate the risks associated with building and integrating a brand-new system, however we would highlight that the design and build of interfaces with the UK Link systems would still require comprehensive testing, which should not be underestimated.

We would also seek reassurance and evidence that the existing platform's capabilities and performance could be maintained following the migration of electricity data, and that the accessibility and use of both gas and electricity data would not be compromised.

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<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2017/07/consultation\\_on\\_uk\\_link\\_and\\_css\\_final.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/07/consultation_on_uk_link_and_css_final.pdf)

**c) Investment and cost to serve.**

We agree that the use of an existing platform could result in lower development and management costs, and would also protect the investment already made in the new infrastructure. We consider this to be a significant benefit of the programme and also a responsible use of industry resources.

In relation to all three benefits identified above, in order to thoroughly evaluate the benefit of using the existing infrastructure versus a brand-new system, we consider that a comparison of costs, time and resources associated with each option, including impact assessments for associated industry parties, should be conducted.

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

We consider the above to represent the main benefits.

We would welcome a view on the estimated savings in terms of design, test and build that utilization of the existing system would offer. On the assumption that these savings are considerable, a further benefit would be the increased likelihood of successful and timely implementation, the latter of which would ensure the realization of the improvements in customer experience at the earliest point possible.

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

Whilst utilization of the existing platform may offer significant benefits to programme delivery, we would highlight the following potential risks:

- An underestimated requirement to conduct a thorough testing phase pre-implementation;
- Monopolization of testing environments and consequent change freezes, restricting the ability of Xoserve and gas participants to enact other required changes, some of which may be regulatory requirements, resulting in potential code and/or licence breaches;
- Insufficient development timescales and support being provided to those organization whose systems do not already interface with UK Link;
- As above, the potential temptation to force electricity data into a system which may not be of optimal design for such purpose, thus diminishing the accessibility and processing of the data;
- The potential to compromise the existing gas data and processes in order to achieve harmonization with those of electricity, and vice versa.
- The distraction / re-deployment of subject matter experts onto the programme, resulting in insufficient skills to maintain BAU gas activities, resulting in diminished service levels and creating exposure for the Gas Transporters to incur operational liabilities;
- Risk to downstream activities in the event of a delayed or unsuccessful programme implementation, including the consequent cost exposure to the industry.

Each of the above risks should be fully considered, assessed and mitigated.

**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?**

We consider there to be several challenges within the existing CDSP governance upon which we would seek clarity should Xoserve wish to pursue a CSS tender response:

- Funding on any pre-tender and tender activities. The governance arrangements as designed do not presently include a 'collateral pot' from which Xoserve could draw in order to fund any CSS tender-relevant activities. We would therefore welcome a view from Xoserve on which element of their existing budget they consider would be funding these activities, including those already conducted.
- Whilst it should be noted that we are highly supportive of any mechanism intended to improve the customer experience, as per the comments in your consultation document (4.2, p18) the development of a CSS itself is of little direct interest to the Gas Transporters, and the responsibility to register customer switches will ultimately sit with the Suppliers. As is the case with all CDSP services, funding should rest with the recipient of the service, and we would therefore welcome confirmation that the GTs are not expected to fund, directly or indirectly,

any element of Xoserve's participation in the programme. Furthermore, we would welcome confirmation that the Gas Transporters' existing services and levels of management influence will not be compromised or diminished by any additional CDSP services and/or users;

- As a subsidiary consideration of the above, given that Suppliers are not currently party to the DSC arrangements, we would welcome a view on the intended mechanism to incorporate them into the funding and governance of Xoserve's involvement in the programme. As you discuss in your consultation response, any amendments to the existing regime in order to facilitate an Xoserve CSS tender must not create an unfair advantage for or against Xoserve or any other tendering organization.
- Given that Xoserve currently discharge a significant number of Code and Licence obligations on behalf of the Gas Transporters, we would welcome clarity from Xoserve as to how optimal service levels will be retained, and how the distraction / redeployment of relevant subject matter experts to the programme would be managed and mitigated. Specifically, we would welcome a view on the protection afforded to Gas Transporters from the risk of incurring operational liabilities should Xoserve seek to pursue involvement in the programme;
- Given that ownership of Xoserve remains with the Gas Transporters we would seek clarity on the proposed mechanisms to be put in place to ensure that shareholders are afforded complete protection from any impact to the core business, in terms of licence obligations and any cost impacts as noted above, as well as any corporate level risk and liability associated with tendering, and potentially undertaking, the CSS function.
- As per your consultation document, it is possible that CSS activities would fall outside the remit of work as defined by Xoserve's Articles of Association. Given that a number of changes would be required to both the Articles and the UNC as a minimum, we would welcome clarity on the intended funding of these amendments. Furthermore, we would welcome a view on whether, and to what extent, Xoserve can become involved in CSS activities in advance of any such amendments being in place.

We would welcome a view on the above, in addition to the challenges already identified in your consultation response, such as the de minimus threshold on third party services.

Should you require any further information with regards to our response then please do not hesitate to contact me at [David.Handley@SGN.co.uk](mailto:David.Handley@SGN.co.uk)

Yours sincerely,

David Handley  
**Head of Regulation**  
**SGN**