

techUK response Ofgem

UK Link and the proposed Central Switching Service | September 2017

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About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. The tech industry is creating jobs and growth across the UK. 900 companies are members of techUK. Collectively they employ more than 700,000 people, about half of all tech sector jobs in the UK. These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium sized businesses.

SmarterUK is techUK's champion for smart infrastructure development. We bring together companies from across the smart infrastructure value chain. Our vision is to connect parts of the UK economy on the cusp of the 'smart' revolution. In doing so, we hope to drive the uptake of solutions that will deliver a sustainable, low carbon transition that provides value to UK Plc and its citizens.

Summary

Faster switching offers numerous benefits to the UK. It not only enhances customer experience, building confidence and better engagement in the market; but it also improves industry processes with the potential to unlock new business models.

The Central Switching Service will be at the core of this new approach, providing a harmonised switching process for all gas and electricity customers. To maximise the investment made in this new service it is important that we have an open and fair procurement process, ensuring we choose a solution that is in the best interests of consumers.

To ensure this Ofgem should look to remove any barriers which prevent viable solutions, such as UK Link, competing. UK Link may indeed be the best and most cost-effective way to deliver faster switching however the open market may deliver lower costs and more benefits. It will be important that all options are considered in a transparent manner and can compete equally.

Additionally, it will be important that Ofgem continue to engage with the market, ensuring that it sends the right signals regarding the openness to new and novel solutions.

Questions

1. Do you agree with the benefits outlined in 3.7 a-c. If so, how significant do you consider these benefits could be for the purposes of implementing more reliable, faster switching?

We agree with the benefits outlined in 3.7. UK Link has significantly enhanced processes in the gas industry, utilising modernised processes and delivering better outcomes. Developing the Central Switching Service on UK Link will maximise efficiency of that investment, limiting the need for some of the costs associated with procuring and building a new system. It will also enable the reuse of skills and capabilities developed.

UK Link may be the best and most cost-effective way to deliver faster switching however the open market may deliver lower costs and more benefits. It is important that the procurement process allow open and fair consideration of a variety of options.

2. Are there other benefits that we have not identified?

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

There are several options for how the Central Switching Service could be delivered. These range from systems which resemble those already in use today, to a new type of system which makes use of innovations such as blockchain.

There is no doubt that delivering Faster Switching will incur a cost to consumers. It is therefore important that the option selected maximises value both in terms of real costs today but also in enabling new and future business models in digital energy. Whilst we need to procure for the present, but we need to prepare for the future.

There is a need to ensure companies see faster switching as a space within which they can innovate. There is a risk that altering the governance provisions of an existing service sends a signal that the incumbent process is preferred.

An open procurement process whereby all approaches are fairly judged, having due regard for consumer value (not just cost) both now and in the future will go some way to protect against this. Ofgem and DCC will need to continue to engage with innovators to encourage them to explore the faster switching programme, and view it as a viable business opportunity.

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?