

3<sup>rd</sup> November 2017

Rachel Clark  
Ofgem  
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London  
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By email only to: [switchingprogramme@ofgem.gov.uk](mailto:switchingprogramme@ofgem.gov.uk)

Dear Rachel,

**Response to the Ofgem consultation on Delivering Faster and More Reliable Switching:  
proposed new switching arrangements**

BUUK Infrastructure Limited (BUUK) welcomes the opportunity to respond to the above consultation on delivering faster and more reliable switching. This response is provided for and on behalf of BUUK's IGT and IDNO Licensees (GTC Pipelines Limited, Independent Pipelines Limited, Quadrant Pipelines Limited, The Electricity Network Company Limited and Independent Power Networks Limited).

In principle BUUK supports the Ofgem's preferred Reform Package RP2a. However, we have some concerns surrounding:

- The design of CSS and the proposed change to the IGT initial gas registration process;
- MAP appointments;
- Costs and funding;
- Project delivery risk resulting from limited intensive design products review periods.

Our full response to the consultation questions and concerns that have not been covered within the questions can be found in appendix 1 of this letter.

Yours sincerely

Michael Harding  
Regulation Director

## Appendix 1

### **Question 1: Do you agree with our assessment that RP2a provides the best value option to reform the switching arrangements for consumers and with the supporting analysis presented in this consultation and the accompanying IA?**

Ofgem's analysis indicates that:

- In respect of monetised benefits, whilst the identified benefits from option RP1 are significantly lower than options RP2, RP2a and RP3, there is little to differentiate between options RP2, RP2a and RP3.
- In respect of ongoing costs, RP1 is identified as having the lowest overall cost to suppliers. Of options RP2, RP2a and RP3, RP2a is identified as having the lowest cost to both suppliers and parties identified as "others" (which includes gas transporters and electricity distributors). Further we note that the costs to others are identified as being c.50% lower than those in RP1.
- Both options RP1 and RP2a appear to offer consumers broadly the same range of net benefits, whereas the benefits to consumers from both options RP2 and RP3 seem to be lower. We also note that Ofgem suggest that the net benefits from option RP2a are understated because it does not capture the benefit of more reliable and faster switching.

Given that RP1 does not appear to meet the objectives of the faster switching programme we do not consider it further here other than to comment that processes to cleanse and improve data will be a crucial component for all options considered.

Therefore, based on the evidence and analysis provided by Ofgem we support RP2a as the preferred option. However, our support is predicated by assumptions, used by Ofgem in their analysis, holding true. RP2a will only be the best value option if it is delivered on time and to budget. We are encouraged by the intention of procuring a platform that will future-proof further energy improvements.

### **Question 2: Do you agree that CSS should include an annulment feature which losing suppliers can use to prevent erroneous switches? Please provide evidence alongside your response. If you are a supplier, please support your answer with an estimate of the number of occasions over the past 12 months when you might have used such a feature had it been available**

Not answered.

### **Question 3: Do you agree that CSS should always invite the losing supplier to raise an objection, even where the Change of Occupancy (CoO) indicator had been set by the gaining supplier? If you are a supplier, please support your answer with evidence of the number of times in the past 12 months that you have raised an objection where the Change of Tenancy (CoT) flag had been set.**

To minimise erroneous transfers, we believe that CSS should give the losing supplier the opportunity to raise an objection, even where the CoO indicator has been set by the gaining supplier.

**Question 4: Do you agree that use of the annulment and CoO features should be backed by a strong performance assurance regime? Please comment on ways in which such a regime could be made most effective, and back up your response with evidence.**

When introducing a change to existing processes, particularly where they could be misused or abused, transparency should be given to the success or failure of that process. In this case it could be managed by reporting on the number of switches where annulment has been applied but where the switch has subsequently progressed, and where the number of switches where the CoO indicator has been set and objections have been upheld and the switch not subsequently progressed. Furthermore, the terms of use for the central switching system should include a requirement for suppliers to only submit a change of supply request where they have been instructed to do so by the consumer.

**Question 5: Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?**

BUUK agrees with the principle to require DCC to competitively procure the communications network capability. As CSS procurers, they should be better placed to carry out that activity to ensure that all successful bidders and their solutions are compatible. However, it is essential that the procurement exercise provides stakeholders with confidence and considers the wider risks of delivering the communications network capability. This includes effective delivery of solutions to time and to budget, ongoing delivery of reliable networks; and, ongoing cost management for the continued provision of networks. We have seen significant unexpected increases in DCC charges in respect of operating the SEC. We do not want to see similar parallels for the CSS programme.

In setting procurement arrangements, it is essential that selection is not made on price alone, but considers the ability to deliver a system within time and budget. The cost of delivery failures and poor project management by a party who wins a bid on price alone could easily outweigh the benefits of price secured in the procurement process. Stakeholders should be consulted on the criteria that will be used in the procurement process

Notwithstanding this, we believe that before any direction on DCC to procure the communications network is made, the consideration should be given to existing networks currently operating in gas and electricity role, i.e. DTN. This has proven capabilities, existing interfaces with industry parties and could significantly reduce network provision costs and, therefore, overall, costs. In addition, the provision of DTN could ease DCC requirements and thereby reduce the risk that parallel CSS activity may have on the smart metering project delivery.

**Question 6: Do you agree with our proposal to have a three-month transition window (aiming to protect reliability) during which time suppliers have to meet additional requirements if switching in less than five working days? Please support your answer with evidence.**

We agree that a three month transition period would be prudent for this large project.

**Question 7: Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within five working days of the contract being entered into (subject to appropriate exceptions)? Please support your answer with evidence.**

We believe that enabling customer switching in a shorter space of time will put customers in a better position for receiving improved customer service and competitive energy prices. However, this will only benefit the market if adverse impacts of a faster switching regime do not outweigh the benefits to customers.

**Question 8: Do you agree with our proposal to create a dual fuel REC to govern the new switching processes and related energy retail arrangements?**

Creating a dual fuel REC is a sensible solution which ensures that all registration arrangements for both gas and electricity are held in a central place. We agree that there are benefits to having a single central code governance framework such as cost, change management and funding in one place instead of several (for some industry parties). We recognise that the creation of a REC could well lead to further code consolidation, although harmonisation across gas and electricity processes (where possible) will be key to simplification of the requirements themselves.

**Question 9: Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the Switching Programme?**

We think provisions for would question whether vulnerable customers should be included within the initial scope (whilst currently proposed as being part of the full scope, it is out of scope for initial requirements). We agree that the early REC should predominantly govern switching arrangements and, therefore, that gas and electricity suppliers should be the owners and be responsible for maintaining the code. However, gas transporters and electricity distributors should be entitled to participate fully in any change process that impacts on their systems, processes or costs. This is particularly the case if they are required to provide some funding for the REC.

**Question 10: Do you agree with our proposal to modify the DCC's licence, in order to extend its obligation to include the management and support of the DBT and initial live operation of the CSS?**

We agree that there needs to be a clear line of responsibility and accountability for the DBT phase. Modifying the DCC's licence to extend its remit to include DBT delivery appears to be a rational way of doing this. However, the effectiveness of such an approach will largely be dependent on the drafting of the licence conditions and the subsequent management of compliance.

Therefore, it is essential that obligations in the DCC's licence are clearly scoped, defined and underpinned by an effective incentive/sanction regime. Obligations need to ensure that:

- There is effective engagement with stakeholders.
- DBT delivery is incorporated and integrated with the delivery of the wider industry programme: DBT must not be allowed to be delivered as an insular standalone component.

However, we believe that there should be an independent assurance role to ensure that DCC are managing the delivery in line with their programme plan, similar to the role that PwC performed during Nexus delivery. Furthermore, the plan should be subject to independent audit to ensure that it is fit for purpose.

**Question 11: Do you agree that there should be regulatory underpinning for the transitional requirements and that this should be contained in the REC?**

We agree that transitional requirements should be included in the REC to ensure that it is clear to all parties of the requirements.

**Question 12: Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised SCR scope?**

We agree and welcome the approach that Ofgem has proposed for progressing the faster switching SCR process. The approach particularly ensures that Ofgem will have full visibility of the code and, therefore, governance framework changes. The changes which are proposed as part of faster and more reliable switching are significant and is a restructuring of the current market switching arrangements. In our view it is imperative that Ofgem continue to drive all significant areas of this programme.

**Question 13: Do you have any comments on the indicative timetable for the development of the new governance framework?**

The overall timetable is ambitious but we welcome Ofgem's approach to potentially revise the regulatory design timetable based on programme needs. It is essential that we maintain the flexibility of a left to right plan that pushes out the backstop date if programme specifications require, rather than risking incomplete arrangements in order to meet unachievable timescales.

**Impact Assessment:**

**CHAPTER 3**

**Question 1: Do you agree that our assessment of industry and public sector costs, including our approach to managing uncertainty, provides a sound basis for making a decision on a preferred reform package?**

We note Ofgem's assessment of the industry and public sector costs. We recognise that Ofgem's assessment is based on information provided by stakeholders earlier in the year in response to Ofgem's RFI. Such assessments will be based on stakeholder assumptions on the level of work required to interface and integrate with the final CSS solution. Whilst we recognise that Ofgem has taken steps to ensure and validate that the cost assessment provides a realistic picture, we have no real feel as to the level of sensitivity that these costs have to different solutions under the RP2a option or on how failures and delays to the programme delivery will impact such cost assessment. In addition to using the assessment of costs, we think an assessment of the delivery risks of each of the options should also be considered.

Criteria used in undertaking the assessment of the preferred option should be incorporated into the critical success factors for the project in order to provide a reference point for the

project. Such success factors should allow project progress and delivery to be measured against the original criteria.

We challenge the statement that network operators will be making savings in terms of ongoing costs, for three reasons:

1. Currently and following Nexus implementation, whilst IGTs do not incur direct costs for an enquiry provision they contribute proportionally to the CDSP service. It is unlikely that this service, or the costs of such service, will be reduced with the implementation of the CSS and CES,
2. IDNOs will see an increase in costs through DCC charges, none of which contribute to a User service charge. The proposed recovery of costs via DCC charges appears flawed and not representative of all industry parties. Under the existing methodology, there is a large sector (Gas Transporters) that do not, and should not, incur costs as they are not DCC Users. Using this methodology appears to build a clear connection between the two services, which we believe should not be the case and the two services should be treated separately, in the same way that Ofgem concluded that the SEC was not the correct place to incorporate switching governance arrangements. Furthermore, we believe that the costs should sit with the relevant licensees in relation to the discharge of their obligations; gas and electricity suppliers, and
3. Ofgem's statement regarding network operators currently providing funding to SPAA is inaccurate. Network operators do not contribute to SPAA as the services are, predominantly, supplier benefiting.

**Question 2: Do you agree that we have selected the appropriate policy option around objections, cooling off, meter agent appointment and MCP ID for each reform package?**

We are concerned that the Faster Switching documentation appears to correlate the change of supplier event with the change of MAP ID. This is not the case nor should it be. A switching event can trigger the change of agent (MAM/MOP, soon to be MEM). This is correct as the agent affirms to the metering/supply point. However, the MAP is tied to the actual asset. If there is a change of MAP ID at the point of switching it is a coincidence and as a result of a change of asset or asset owner (although the change of asset owner would need to result from a commercial arrangement – as opposed to a change to existing code arrangements - between original and new MAP). Currently, a MAP as the entity that has funded and owns the metering asset cannot (and should not) be de-appointed from its own asset. Our understanding is that under the faster switching architecture, a MEM could de-appoint the MAP from its own asset, taking over the asset under an alternative MAP ID. Such an action where the metering asset is not exchanged increases risk to MAP entities that may lose track of their asset and, therefore, be unable to recover their investment in providing the metering asset itself.

We would be happy to discuss this further.

#### **CHAPTER 4**

**Question 3: Do you agree that our assessment of the direct benefits of the reforms, including the various assumptions that we have adopted, provides a sound basis for making a decision on a preferred reform package?**

We agree that Ofgem's assessment and assumptions provides a sound basis for the preferred reform package. However, the programme is a large package of work with many moving parts. We believe a sensitivity analysis is required on how costs would change if key risks materialised, or if the more risky assumptions changed.

## **CHAPTER 5**

**Question 4: Do you agree that our illustrative analysis of the indirect benefits provides a reasonable assessment of the potential scale of the savings that could be made by consumers through increased engagement in the market?**

Indirect benefits have been demonstrated by a range of scenarios based on consumer behaviour. We agree that this is difficult to predict and, therefore, support the cautious approach taken by Ofgem to not overstate the benefits.

## **CHAPTER 6**

**Question 5: Do you agree with our assessment of the wider benefits of our reform proposals?**

BUUK recognises that to ensure the success of the switching programme there is a need to improve data quality across the industry. We are engaging with Ofgem and other industry parties to pro-actively improve current address data and address management processes. We are committed to improving address data, and are confident of making improvements ahead of CSS implementation.

However, we think consideration should be given to regulation that ensures PAF addresses are issued at the detailed planning consent stage to new housing developers by local authorities in conjunction with Royal Mail. This may address the inability to confirm a postal address at an early stage. However, we recognise that this is likely to be outside of the scope of this project.

Notwithstanding the above, we have concerns that the address management changes intimated may not improve the status of address data but may actually cause a deterioration. We would like to better understand the full process ahead of agreeing to claimed improvements. The proposal appears to include that the GB Address Systems would be that provided by Ordnance Survey (OS). Unless there have been significant improvements since 2015, the provision, whilst it may improve existing supply meter point address data, gives no benefit to the initial plot to postal address data management.

## **CHAPTER 7**

**Question 6: Do you agree that our assessment of the net impacts for consumers provides a sound basis for making a decision on a preferred reform package?**

We agree with the rationale that Ofgem has presented to support their decision on a preferred reform package.

## **ADDITIONAL COMMENTS**

## **1. IGT New Connection Process**

We are currently seeking clarification from Ofgem regarding the potential change to the IGT new connection process. The proposals appear to infer that the initial gas registration processes for GTs and IGTs will align. Whilst there is a certain point within the UK Link process that the initial shipper registration aligns, initial registration arrangements between the IGT and shipper have already taken place at that time and been set on the IGT system. The “bulk confirmation” process has been the model since IGT operations commenced. The process is designed to meet the requirements of the customer (initially and at that time the developer) and to avoid delays in customers (consumers) being able to move into their properties. To change this approach would have a big impact on customers when there is no benefit or requirement to make the change. This reform is to ensure faster customer switching and it is our belief that initial registration should be out of scope. We would be happy to discuss this further.

## **2. Unforeseen Costs**

It is not evident at this stage what additional costs there will be for the current interface activity between ourselves and MPRS and UK Link, under the CSS regime. Unlike other industry parties, IGTs and IDNOs are unable to recover costs under RPC charging arrangements. Until costs are defined we are unable to determine whether it is appropriate or viable to seek to recover costs through alternative channels.

## **3. Project delivery risk resulting from limited intensive design products review periods.**

We have concerns with regard to the general pace that the project has taken, particularly over the past four weeks, and the risk to the overall programme that this could well have. We fully support the velocity with which Ofgem has so far deployed the relevant workgroups and, on the whole, developments to date, but feel that there is a danger that the recent timescales applied to the industry review of the vast amounts of detailed design products specifications will lead to organisations not being able to fully assess the proposals. If it is intended that the content of the products is dependent on workgroup feedback and will not be subject to wider consultation, it is imperative that it has been rigorously reviewed. We have already seen some representation highlighting areas of concern over specifications that appear not to have been fully explored at workgroup but which have been determined within the Faster Switching consultation. We feel that rushing sign-off now is likely to result in delays to the project in the long run.