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Dear Rachel,

Thank you for providing the opportunity to respond on your proposals for a Centralised Switching Service.

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?](#)

The Switching Programme aims to deliver faster and more reliable switching for customers to provide better outcomes and lead to increased competition. We fully support these objectives, however, we do not believe that the proposed design will deliver these aspirations.

The existing Electricity processes are capable of delivering next day switching (as confirmed by MRASCo at the MRA Engagement Day 25th October). The timescales for participants to send and receive information, which extend to a number of days, discourage faster switching due to the length of time to receive meter details and consumption history. In addition the current batch processing design of MPRS systems introduces an enforced delay with MPRS processing all requests at 18:00 on the working day they are received. A switch requested by a customer at 18:05 on a Friday will not be processed until 18:00 the following Monday. Therefore, to deliver faster switching in electricity the programme needs to deliver updated systems that do not require batch processing and apply reductions in timescales for data transfer for BSC and MRA processes. For Gas, the current process to change supply is managed by Shippers in accordance with the Uniform Network Code via IX communication managed data transfer to Xoserve. Responses to data flows can be received within the same day that they are issued but the switching process is at least 15 days due to the UNC requirement of the Transportation Principles Document Section G:

2.5.8 The Proposed Supply Point Registration Date shall be:

- a. not more than 30 Supply Point Systems Business Days after the Supply Point Confirmation is submitted; and
- b. not less than 14 calendar days commencing on the Day after the Supply Point Confirmation is submitted...

The process for transfer of information and customer switching would support next day switching if this restriction was amended in the UNC and the timescales for data transfer shortened appropriately as above for electricity.

The current proposal is to replace the processes for Gas and Electricity with new and untried processes. These will only cover change of supply and will be recorded in a new

Centralised Switching Service database which will then interface with the existing MPRS and Xoserve solutions for management of metering data and ongoing settlement activity. This does not resolve the primary reasons for faster switching not being adopted today, namely timescales for data transfer resulting in delayed or poor metering data. This poor metering data impacts the customer journey for switching resulting in delays to accurate billing and the perception of it being too complicated that is held by customers. The Switching Programme proposals will not address this issue and indeed are highly likely to exacerbate the problems by introducing a break in the process between registration and agent appointment with the need to interface to the current central systems. This separation between registration and metering data can also be expected to have negative impacts on the Market-wide settlement reform outcomes.

The introduction of a further communications mechanism and another central address database will add further costs and complexity. It is a principle of process improvement to reduce complexity wherever possible; creating a 4th "source of the truth" for address data where Postcode Address File, MPAS Database, Xoserve Database already exist will increase complexity as will separating new connection and registration processes from each other and requiring new interfaces to existing solutions. This, logically, can only serve to exacerbate the data quality issues that disrupt today's change of supply activities leading to greater customer dissatisfaction.

In addition, the industry has undergone significant central system driven change recently for the Project Nexus upgraded Gas central systems and the introduction of Data Communication Company messages and processes. Further large scale change is to be expected with the progress of the Market-wide Half-Hourly Settlement significant code review. This has incurred significant cost and further large scale system change will incur additional cost and introduce a risk to meeting the objectives of the Smart meter roll-out if progressed concurrently. To minimise the impact, should Ofgem decide to progress with RP2a, a minimal change solution re-using existing processes and systems where possible should be utilised and duly consider the impacts of other industry-wide change.

We also consider that the introduction of new switching processes, rather than incremental change of existing processes, will introduce a barrier to entry for new Suppliers looking to participate in the market. During the transition phase, they may be deploying solutions and completing qualification for the current processes which will be deprecated and they will incur additional cost in preparing solutions in parallel to operate with the proposed new mechanisms. Once the new processes are in place, the proposals will require all market entrants to have solutions and interfaces with four communication gateways and providers rather than three as currently. This can only increase costs for all participants and act as a further barrier to entry.

The new processes will require market testing to ensure they are fit for purpose, however, where harmonisation is the objective, it should be noted that the Gas market has operated successfully with no formal market entry qualification mechanism.

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.

We do not consider that an annulment feature should be provided. It is difficult to envisage how this could be reliably used in practice to contact the customer to confirm an erroneous transfer and secure evidence in all cases in a 24hour period. We have no evidence of when we may have been able to use this feature, leading us to the conclusion that it is more likely to be used in error and have the unintended impact of frustrating the switching process. This is expected to increase customer dissatisfaction.

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.

As with the annulment feature, it is unclear how this feature could be used in the context of next-day switching. Therefore, we do not support the provision of this feature.

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.

Yes, where annulment or change of occupancy features are used suppliers should be required to maintain evidence of the customer request for action. This should apply to evidence for use of the CoO indicator initially as well as evidence for objecting even where the CoO indicator has been used.

In 2007 following the supply licence review, Ofgem introduced licence condition 14 for customer transfer blocking governing the use of Objections as set out in the Master Registration Agreement. Since then Ofgem has conducted a number of investigations as recently as 2016. This indicates that customer transfer blocking management remains an area of focus for regulation. We consider that the performance assurance regime for use of annulment and CoO features, which are synonymous with customer transfer blocking, should remain within the standard licence conditions for all suppliers.

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?

We do not agree with the proposal to require DCC to competitively procure the communications network capability. Currently, dual fuel participants are required to maintain communications with the Data Transfer Network for transmission of data defined within the Data Transfer Catalogue mastered by the Master Registration Agreement for Electricity switching processes, the IX for transmission of data defined by the Uniform Network Code and Supply Point Administration Agreement for Gas switching processes and also with the Data Communications Company for transmission of communication with Smart Meters in accordance with the Smart Energy Code.

The DTN is procured and maintained by Electralink to transfer data between participants and MPRS. Each Distribution and Independent Distribution business is required to provide their own MPRS service which then interfaces with central settlement systems. Switching processes are defined by the MRA Golden threads and complemented with Balancing & Settlement Code processes.

The IX is procured and maintained by Xoserve to transfer data between participants and Xoserve central systems. Switching process are defined within the Uniform Network Code and the recent Nexus upgrade has included independent Gas Transporters within central switching systems.

The DCC Communications Gateway is procured and maintained by the DCC to transfer data between participants and smart meters.

The concept of the proposed model is to procure and maintain communications with a centralised switching mechanism for gas and electricity. We do not consider the DCC to have the relevant expertise in procuring or delivering such a service. There are currently two switching service solutions utilised within the industry. One (DTN/MPRS) is

disaggregated across distribution businesses and the other (IX/Xoserve) is a centralised solution. The Xoserve platform has recently been upgraded as part of Project Nexus and is now a SAP based architecture that has Electricity process management disabled currently. While the Nexus project was delayed and needed to overcome significant challenges, we believe that Xoserve has experience in managing market-wide testing of new system implementation in a controlled manner.

We consider that the IX/Xoserve communications best meets the criteria for a centralised switching service. As the proposals indicate a need to maintain existing communication provider for other processes other than switching, we do not consider any additional cost for a further provider can be justified. We propose that Ofgem determines the communication provider for delivering harmonised switching arrangements.

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 transition window during which time suppliers must meet additional requirements if switching in less than five working days is appropriate. To ensure that new, harmonised processes are operating as intended. We do not think this should be pre-determined to be three months but should remain in place until appropriate pre-defined exit criteria have been met.

Ofgem should determine these exit criteria which should be focussed on the number of switches attempted in less than five working days that have completed reliably and have not subsequently been determined to be erroneous. This will provide greater assurance of good consumer outcomes for introduction of the new arrangements.

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.

Yes

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?

We do agree that the creation of a dual fuel Retail Energy Code to harmonise gas and electricity switching arrangements is a welcome step forward to address the current fragmented governance evident within the industry as long as this is the first project in a programme of work that will eventually consolidate all codes.

There are challenges moving to a supplier-led switching process rather than the current shipper-led that can be met by removing those requirements of the Uniform Network Code relating to switches and the relevant parts of the Supply Point Administration Agreement and adapting them to inclusion in the Retail Energy Code. Where possible this should be on an incremental change approach rather than creation of an entirely new suite of processes.

The Master Registration Agreement Golden threads and associate Agreed Procedures etc. could be transferred *en masse* to the Retail Energy Code with only minor incremental changes to incorporate the changes in line with the principles of faster switching and appropriate performance monitoring.

Issues of fragmented governance could be further addressed over time by migrating elements of other codes that are more closely related to customers and customer switching, such as theft arrangements.

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

Ofgem indicate that they are minded to introduce a licence obligation on Gas and Electricity suppliers to establish and maintain the REC. The current arrangements are for the individual distribution network operators to support electricity switching arrangements with the MRA and for the gas transporters to support gas switching under the UNC with supporting arrangements in the SPAA. Ofgem notes on its website that the UNC is "...the hub around which the competitive gas industry revolves, comprising a legal and contractual framework to supply and transport gas." Whereas the SPAA "...sets out the inter-operational arrangements between gas suppliers and transporters in the UK retail market".

It is therefore, not appropriate to require suppliers to establish and maintain the REC and in effect ask suppliers "to mark their own homework". The ownership should remain with the licence obligations of the networks to provide a service for suppliers to be able to reliably switch customers for the supply of energy. This would be consistent with current arrangements and be a step to resolving fragmented governance issues in the industry.

We do agree that the administration of the REC should be performed by a code administrator and that the chosen code administrator should exhibit the best practices of the current administrators in the energy market.

We propose that the harmonised switching arrangements should be supported by clear and easily interpreted process documentation. Elexon's BSCP are a good example of process documents that are both readily accessible and easily understood. The processes should be supported by a Data Catalogue that clearly defines what data should be transferred by what method to support each step in the process. The Master Registration Agreement maintained DTC should be used as a good example for such a document set.

The day to day operations of the code administrator should also be transparent and easily accessible, again Elexon and the BSC Helpdesk service are a good example for the REC.

This would be consistent with the use of Xoserve's platform for the CSS as this would be harmonisation of all best practice in the industry in an effort to maximise consumer outcomes.

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 do not agree that the CSS should be governed by the DCC licence. As per our response to Question 9 the Licence obligation for this should remain with Network Operators as an appropriate independent third party organisation (for switching). The arrangements will also cover all domestic and non-domestic customers, not be limited to those with Smart meters and so there is no clear rationale for the DCC to be licensed.

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

The introduction of harmonised switching processes for Gas and Electricity will be a significant task. Even where incremental change is followed as we have suggested, if Xoserve's platform is adopted for the CSS this would still require integration testing and user acceptance testing by all industry participants. To co-ordinate this across the entire industry will be best managed by licence and code obligations. This will also provide for better management where any delays are encountered in the delivery stages.

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

Yes, an Ofgem led SCR where Ofgem develops necessary code changes is the only reliable method to co-ordinate the creation of a new code and revision of the existing codes in line with this.

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

We think the proposed timetable is very optimistic for implementation of a new code, harmonising processes and establishment of a uniform data transfer communication mechanism with adequate market-wide testing. The lessons learned from both the establishment of the Smart Energy Code and DCC and also the Project Nexus upgrade to UK Link and Xoserve systems should be applied to these timescales.

These timescales will remain very ambitious even where incremental change as we propose above is adopted and it is imperative that due consideration is given by Ofgem to the other ongoing industry wide activities including the Smart meter rollout which will occupy resource.

If you would like to discuss any part of our response, please contact jevans@justenergy.com.

Kind regards

James Evans