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techUK response Ofgem

Delivering Faster and More Reliable Switching: Proposed New Switching Arrangements | November 2017

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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.

Questions

CHAPTER: Two

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?

We are concerned that this programme may not provide the necessary platform for future innovation. With the move towards price caps the benefits of faster and more reliable switching to the consumer look over stated.

However, we see that Scenario 3, with some amendment, could be the basis for future markets for Demand Side Response. These services will need registers of premises and devices as part of the market structure, and also will need to support change of supplier activities.

Whilst currently RP3 does not show value for money, we urge Ofgem to re-examine the design to see how expanding the value, by enabling a future DSR market and reducing the costs of the design, could lead to a viable business case.

We think a targeted short work programme focussed on the likely needs in this area, and seeking to address some of the cost drivers could produce a much better solution with a far less marginal business case.

In terms of RP2A, we are concerned that the assessment has overstated the benefits and underestimated the costs.

Since the publication of the report, draft legislation to provide Ofgem with the powers to cap SVT tariffs has been published. This is likely to reduce the differential between best and worst tariffs, thus reducing the value of the consumer benefits from switching. In addition further research is showing an increased rate of switching and lower levels of consumer concern over the process.

The negative impact to consumers of having to delay other important programmes so as to implement next day switching has not been assessed. As highlighted in the consultation there are a large number of complex programmes underway and choosing to implement this one is likely to delay the others.

We are not convinced that this programme should be prioritised over others, especially where the convergence potential has been limited by reducing functionality.

In the original implementation plan, presented at the techUK workshop, end to end operational testing and market trialling were described. Particularly with the experience from Project Nexus these seem essential steps, yet they seem to have been dropped from the implementation plans, and presumably from the costings. The assumption that Suppliers will absorb some of the costs of implementation seems to be optimistic. Given the increased pressure on margins through the price cap, this seems unlikely.

CHAPTER: Three

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.

No view

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.

Seems sensible but no specific view

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.

It seems sensible to include an annulment mechanism with a linked assurance regime. For this to be successful there is a need to ensure data transparency. The process should breakdown data silos and minimise the need for additional reporting requirements.

CHAPTER: Four

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?

Whilst we support the principle of competition for services, it is important that industry costs of supporting an additional communication interface over those already in place are considered. This includes proper consideration of alternative solutions such as blockchain which may negate the need for the procurement of a separate network solution (or additional capacity).

CHAPTER: Five

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.

No comment

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.

No comment

CHAPTER: Eight

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?

Yes simplification of the codes makes sense to assist new market entrants whilst also supporting cost reductions.

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

Seems sensible

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?

Given the current role of the DCC it seems sensible to consider ways in which to maximise productivity. However, by extending the DCC's role there is a risk that a negative signal will be sent to the market on openness to new and novel solutions for the CRS. It is important that all options are considered in a transparent manner and can compete equally taking account of the indirect benefits different solutions can unlock/act as a barrier to. It will be important that Ofgem continue to engage with the market, alongside DCC, ensuring that it sends the right signals regarding the openness to innovation.

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

No comment

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

No comment

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

No comment

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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?

Whilst there is a lot of good methodology in the assessment we are still concerned that the assessment is overly optimistic. See answer to Chapter 2 question 1 above.

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?

No comment

Impact Assessment: 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 think the direct benefits are overstated. See answer to Chapter 2 question 1 above.

Impact Assessment: 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?

Whilst there will be indirect benefits, the value placed on them seems very high, particularly given the impact that the cap on SVTs is likely to have on the potential value of switching. The likelihood of anything like the peak switching volumes modelled as a result of publicity seems extremely unlikely unless there is a corresponding large price increase.

Impact Assessment: CHAPTER 6

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

There are likely to be wider benefits but it's hard to assess how substantial the value of this programme would be alongside other areas such as wider access to smart meter data and half hourly settlement. However as stated in our answer to question 2 above, we believe a resetting of the programme to enable the building blocks for Demand Side Response might enable a case around a reformed switching programme more viable.

Impact Assessment: 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 think the benefits are overstated, and the costs understated so we do not agree that the assessment makes a sound basis for decision. See answer to Chapter 2 question 1 above.