

# Viability Assessment Report

Summary report on the viability of reusing existing UK Energy Switching solutions for CSS

**Ofgem**

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## Context & Approach



### Context

- ▶ Ofgem commissioned Baringa to provide a viability assessment on the potential reuse of UK Link or MPRS/ECOES solutions as platforms for the Central Switching Service (CSS). Whilst an assumption has historically existed that a new build solution would be required, changing solution capabilities and market confidence has prompted a revisit of those initial assumptions.
- ▶ This report aims to provide guidance to Ofgem on the viability and consequence of inclusion of MPRS/ECOES & UK Link within the CSS procurement activity, with a finalised report to be published as part of the Ofgem consultation response on Reform Package 2a.
- ▶ The recommendations made within this report are intended to be considered by Ofgem to ensure that the onwards process is fair to existing switching systems.
- ▶ Throughout the process it has been made clear to engaged parties that this report is not part of the procurement process currently planned by DCC, or the related procurement assurance activity, and is not a pre-qualification activity for that process. It is not designed to challenge the need for a procurement process, and has not been scoped to reach this outcome.



### Our Approach

Baringa's approach to the creation of this report was as follows:

- ▶ Definition of a set of success factors and viability assessment criteria that are driven from the Ofgem's Consumer & Competition Division, and CSS Switching Programme's objectives.
- ▶ Proposal of a sample question set that was shared with Xoserve and St. Clements / C&C Group to help judge viability against the defined dimensions
- ▶ A series of stakeholder interviews were performed to understand the current landscape including Ofgem, DCC, St Clements, C&C Group, Xoserve, and our wider set of Baringa subject matter experts
- ▶ The report has then been written on the basis of providing evidence backed conclusions. Where scope has been subject to principle or assumption based analysis, Baringa have stated the basis on which the assumptions are made.



## Conclusions & Recommendations

- ▶ There has been nothing identified that should stop existing UK energy market switching systems from forming part of an open procurement process
- ▶ There will be variability between the functional fit, architectural complexity and delivery and operational risk within the proposed solutions, however these can be tested and normalised to ensure a like-for-like comparison through the procurement process
- ▶ Several key recommendations can be made on the procurement process to ensure that existing systems are treated equally through the process:
  - ▶ **Asset ownership and licensing** – Gaining clarity of what the acceptable outcomes/end states are, will enable the Procurement process to channel bidders in the right direction, and scale their response accordingly
  - ▶ **Scope of services** – A clear view of support arrangements and the split of accountabilities between different procurement ‘lots’ will mean that the cost of delivery and operate can be assessed across the whole landscape
  - ▶ **Criteria weighting** – Balancing the benefits of potential asset reuse with the strategic intent to create a portable solution and provide future flexibility, and also ensuring that experience in cross industry change is taken into account
  - ▶ **Independent input into procurement decision making** – It is critical that the procurement process is operated in an independent manner, and that there is no risk of incentivisation for any particular outcomes. Providing some independent input from either the regulator, or an independent assurance party on their behalf will mitigate this risk
  - ▶ **Phasing of procurement activities** – The phasing of procurement activities (SI vs. solution provider) should be reviewed to ensure that there is no positive or negative bias towards the existing switching solution providers, due to the inherent roles that they would perform if selected as the platform for CSS.
- ▶ Running a procurement activity is judged to be beneficial in ensuring that cost efficiency is driven through the supply chain. The key is to also ensure that this is of an appropriate scale to the potential value/savings that it may drive, with clear end-state ambitions defined and a clear strategy/plan that achieves these ambitions.



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