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Dear Rachel,

Consultation on Switching Programme: Proposed modifications to regulation and governance

Thank you for the opportunity to respond to this consultation.

As a licensed Distribution Network Operator (DNO), we currently play an important role in facilitating the operation of a competitive electricity market through the provision of the Metering Point Registration Service (MPRS). We support the aim of delivering next day switching for Great Britain (GB) customers to enable more competition in the energy market - noting our role diminishes for switching going forward, as other parties pick up our existing responsibilities.

We agree with the creation of a new Retail Energy Code (REC), owned and managed by gas and electricity Suppliers, as the responsible licensees for switching. As a facilitator for next day switching functionality we support a new licence requirement to be party to and comply with the new REC. At the moment it appears the funding for the new REC Company (RECCo) transitional and DCC procurement together with management arrangements will be shared across Suppliers and DNOs using the existing Master Registration Agreement (MRA) and Smart Energy Code (SEC) charging methodologies, respectively. It is inappropriate for DNOs to contribute to funding these arrangements so these charges should be ring fenced and funded by Suppliers, as the responsible licensees for switching which is reflected in Ofgem's proposal for Suppliers to fund the enduring RECCo arrangements.


The new licence drafting includes a general obligation for us to co-operate with all Significant Code Reviews (SCR's). We have some reservations about this very broad obligation and recommend tightening the definition of a SCR project within licences as that which has been set out as a future project in Ofgem's annual Forward Work Programme and Reducing Regulatory Burdens statement. We consider that efficient costs of implementing SCR outcomes not envisaged when each price control was set, especially where material, should be subject to specific consideration as part of the consultation exercise for Ofgem's annual Forward Work Programme or any specific SCR consultation. This enables DNOs to effectively and collaboratively plan for additional SCR projects above and beyond the Faster Switching, Half Hourly Settlement and Targeted Charging Review for the remainder of RIIO ED1. If further SCR's are initiated in RIIO-ED1, with material net costs to DNOs for implementation then these costs should be recoverable from parties benefitting from the SCR changes.

We also support Ofgem's request for near term industry-led data improvements to reduce the number of plot addresses associated with a metering point prior to the creation of the database/procurement of the Central Switching Service (CSS). We are a leading DNO performer in this area, having reduced the number of customers with plot addresses from an initial low number

due to our ongoing data management activities by a further 63% from 2,125 to 781 since April 2018. This means only 0.03% of our customer base is using a plot address.

I hope these comments are helpful. The following table gives our detailed responses. Please do not hesitate to contact me or Catherine Duggan (07775 547624) if you want to follow up on any particular aspects.

Yours sincerely



Paul Auckland
Head of Economic Regulation

Reference	Question	Comment
Chapter 2: Transitional requirements		
Q2.1	Do you support our proposal to introduce a high level duty upon licensees to cooperate, where appropriate, in delivering the outcome of a significant Ofgem-led programme, such as a SCR?	<p>Yes, we support the proposed licence requirement for cooperation with the programme to be set up at a high level so it can be used for other Significant Code Review (SCR) projects. Our support is subject to 1) Ofgem defining a SCR project within all licences as that which has been set out as a future project in Ofgem's annual Forward Work Programme and Reducing Regulatory Burdens statement. This enables DNOs to effectively and collaboratively plan for additional SCR projects above and beyond the Faster Switching, Half Hourly Settlement and Targeted Charging Review for the remainder of RIIO ED1. Any requirements will need to be proportionate and whilst we support co-operation with SCR's, there should be consideration of funding, charges and how costs are recovered (i.e. from suppliers) for SCR projects which would have a material cost and were not envisaged at the start of ED1.</p> <p>In addition (refer to our response to Q5.4), any delays in procurement of CSS providers by CSS should be appropriately reflected in an amended DNO cooperation licence obligation to data cleanse, migrate and test to prevent DNOs being in breach of their licence due to delays by the DCC or their appointed CSS providers in meeting key programme milestones. Consequently, we welcome Ofgem's proposal the DCC should have a mirrored cooperation licence requirement to meet key SCR programme milestones.</p>
Q2.2	Do you agree that the RECCo should be established earlier than REC v2 in order to assist with the successful delivery of the Switching Programme?	Yes, we agree that the RECCo should be established earlier than RECv.2 when all the switching related operational provisions go live.
Q2.3	Do you agree that the bodies constituted under the REC could suitably play a formal part in the programme governance?	Yes, we agree that the bodies constituted under the REC could suitably play a formal part of the programme governance and recommend a model similar to the Balancing and Settlement Code (BSC) model. Under the BSC, we as a DNO are obliged to sign and comply with the BSC. However, even though we are unable to vote

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		<p>at BSC Panel meetings we are able to raise modifications to the BSC. This governance structure enables us to engage and have our views understood but is a suitable reflection of the cost recovery mechanism which is dependant on the BSC Parties market role. Whereby, we do not pay towards BSC Costs (excluding our monthly Central Volume Allocation Balance Mechanism Unit charges).</p> <p>As such, we welcome Ofgem's proposal that under Clause 10 of the supplementary REC main body document that Suppliers will fund the RECCo as is appropriate as the responsible licensees for switching. We interpret this as the Suppliers will solely fund the RECCo and DNOs will not be a funding party given our limited market role as this is simpler, reduces the administrative burden and is more cost effective for GB customers. However, we also note Ofgem's referral to securing funding for the transitional requirements from the MRA and Supply Point Administration Agreement (SPAA) until such time as the transitional REC becomes operational. It would not be appropriate to increase DNOs share of the MRA charges to support procuring Supplier owned RECCo activities. We recommend Ofgem includes a MRA change modification as part of the SCR outcome whereby RECCo Transitional costs are ring-fenced and charged to Suppliers only.</p>
Q2.4	<p>Do you agree that our definition of 'large supplier' in REC v1 is suitable for ensuring an adequate level of engagement with User Entry Process Testing?</p>	<p>Yes, we agree that the definition of large supplier as being one in excess of 250,000 Registrable Measurement Points (RMPs) which is consistent with the gas and electricity supply licences.</p>
Q2.5	<p>Do you agree that it would be appropriate to have in place interim governance arrangements prior to REC v2 coming into effect?</p>	<p>Yes, we agree it is appropriate to put in place interim governance arrangements that the prevailing Executive Committees of the MRA (for electricity) and SPAA (for gas) could act as an interim REC Panel and Ofgem would act as an interim REC Manager in the unlikely event of a REC Change being required before a REC manager had been appointed through competitive procurement.</p>
Chapter 3: REC Governance		
Q.3.1	<p>Do you agree with the proposed powers and functions of the RECCo Board, REC Panel and REC Manager, and how they would be distributed amongst them?</p>	<p>Yes, we agree generally with the proposed powers and functions of the various roles and fora. But we would recommend a more appropriate distribution of powers between the RECCo Board and Panel regarding the strategic direction of operational arrangements. If Ofgem proceed with their proposal for NEDs (refer to our response to Q3.2) from outside of the energy industry to sit on the RECCo Board, although they would bring innovation, they may lack the necessary detailed operational knowledge and expertise to set the operational strategy. So Operational Strategy is best placed to sit with the REC Panel.</p>

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Q3.2	Do you agree with our proposal that independent Non-Executive Directors (NEDs), potentially from outside of the energy industry, should be present on the RECCo Board and that the composition of the RECCo Board should be subject to thorough review, both periodically and/or whenever the scope of the REC/RECCo Board responsibilities changes substantively?	Yes we welcome the proposal that NEDs should be represented on the RECCo Board to bring lessons learnt from outside of the energy industry. Note our points raised in our response to Q3.1 regarding distribution of powers between the RECCo Board and Panel.
Q3.3	Do you agree with the proposed composition, powers and functions of the REC Panel?	Yes we agree with the proposed composition, powers and functions of the REC Panel noting our responses to Q2.3, Q2.5, Q3.1 and Q3.2.
Q3.4	Do you agree that there should be entry and systems testing requirements placed on new entrants, comparable to those that we expect incumbent suppliers to undergo as part of the transition to the new switching arrangements?	Yes, it is appropriate that there should be entry and systems testing requirements placed on new entrants comparable to those expected on incumbent suppliers. In addition, we welcome Ofgem's proposals under Appendix 2 that DNOs would accede (via a simple accession process which would not require an application fee) to the REC but would not be required to undertake entry assessment for REC v1 and v2. It is appropriate only Suppliers undergo entry assessment as they are the only parties providing data to the CSS whereas DNOs are receiving and synchronising information only. If this decision changed in the future triggered by a change in the scope of the REC we would welcome the opportunity to collaborate and consult with Ofgem and industry beforehand.
Chapter 4: REC Content		
Q4.1	Do you agree with the proposed minimum content for REC v2 (as listed in Appendix 3)? Is there any other content we should consider for inclusion in REC v2? If yes, please provide further details.	Yes we agree the proposed list appears to cover expectations. However, the REC Technical Documentation/Products are described only at a high level. There is not explicit mention of Incident Management/Problem Management/Service Desk unless this is what is intended by 'error handling for CSS issues'.
Q4.2	Do you agree with our proposal that the REC Code Manager should collate Switching Domain Data and make it available to Market Participants? Or do you consider that the Data Master for each element of Switching Domain Data should make it available to Market Participants?	Yes, we agree the REC Code Manager should collate the Switching Domain Data and make it available to Market Participants. Whilst this may introduce a risk to data integrity inherent (via the introduction of a further party in the provision of this data to Market Participants) it provides for a single 'master' source of reference; Rather than relying on parties to obtain data from multiple sources which in itself is a risk. It also ensures that any Change Control emanating from the Data Master's does not bypass the Programme/REC Code Manager and can be properly considered.

Reference	Question	Comment
Q4.3	Paragraphs 4.20-4.24 suggest that the DCC should be subject to a data quality objective and performance standards around the quality of REL Addresses. Do you have suggestions on the quality measure areas and levels quality measures will take? Do you believe that the REC Panel should have a role in setting these targets (initially and/or on a periodic basis)?	<p>We are unable to comment on the suggestions on the quality measure areas and levels quality measures will take without having seen the detail as to how the REL Addresses will be established and validated.</p> <p>Yes we do agree that it is appropriate for the REC Panel to have a role in setting targets (initially and/or on a periodic basis).</p>
Q4.4	Paragraph 4.25 outlines that the REL Address data quality indicator is currently intended to be an internal measure for the CSS. Do you believe there is value in making this available to other market participants? If so, please provide your rationale for this and outline which market participants should have access.	The REL Address data should be available to all parties to provide for full visibility and openness in improving data management going forward subject to any data confidentiality requirements being considered such as the General Data Protection Regulation.
Q4.5	Paragraph 4.25. suggests that the DCC should set out the methodology it will apply to meet the REL Address data performance standards on an annual basis. Do you agree that it would be beneficial to make this methodology publicly available?	Yes we agree it would be beneficial to make this methodology publicly available.
Q4.6	Do you support the creation of an Enquiry Services Schedule in REC v2? If so, which of the options around the requirements (in paragraph 4.32) do you prefer? Please provide details to explain your answer.	We are unable to comment which option we prefer as the governance issues appear to affect gas more than electricity. We would require more information to understand what data differences this could create between Suppliers (as Electricity Central Online Enquiry Service - ECOES Users) and DNO's (as both ECOES and MPRS users)
Q4.7	Do you agree with our proposal to create a REC Exceptions Schedule to be contained in REC v2, with the scope outlined in Figure 3? If not, please provide further details.	Yes we agree with the proposal to create a REC Exceptions Schedule as outlined.
Q4.8	Do you agree that the grey areas highlighted in Figure 3 should be out of scope of an Exceptions Schedule for REC v2? If not, please provide further details.	No we do not agree that the grey areas should be out of scope. If the REC does not govern all aspects of the switching process then it does not achieve the objective of simplifying the regulatory framework, making accession simpler and supporting innovation as outlined in paragraph 3.3. It may be appropriate to address these as a lesser priority but ultimately they should fall under REC governance.

Reference	Question	Comment
Q4.9	A list of suggested content for a set of REC Technical Documents can be found in section 4.44. Do you believe that any of the content listed is unnecessary or is there any content that you would expect to be included? If so, please provide details.	Paragraph 4.44 refers to “ <i>error resolution processes and responsibilities for CSS issues.</i> ” We suggest that the standard Information Technology Infrastructure Library definitions for incident and problem management are utilised instead.
Q4.10	Do you believe that table 1 captures all of the items that should become a REC subsidiary document? If not, please provide details of the additional items that should be included and why.	The current description of ‘ <i>Technical Specification Baseline Statement</i> ’ is insufficient and could be interpreted as only covering those documents listed under paragraph 4.4. As such it could be interpreted that the <i>Technical Specification Baseline Statement</i> does not cover the technical specifications for the build/implementation/operation of the CSS itself. Whilst these latter specifications are not required by REC parties there should be an explicit obligation for the DCC to provide the full set of technical and operational documentation which would allow management of the CSS to pass from the DCC to RECCo at a point in future.
Q4.11	Do you believe we have assigned the correct responsibility for producing each REC subsidiary document? If not, please provide further details.	Yes we agree with the assignment of responsibility for each REC subsidiary document.
Chapter 5: The DCC licence		
Q5.1	Do you agree with the role we have set out for DCC during the DBT phase and steady state operations? If not, why not?	We are concerned about the potential impact of this on consumers but, in the absence of a more suitable alternative we note the proposed role Ofgem has set for DCC during the DBT phase; taking some comfort on the basis that Ofgem will remain the overall programme sponsor and design authority and subject to Ofgem’s proposal that the RECCo would eventually become the contracting party with the CSS provider. This is due to our growing concerns with the poor performance of the DCC in respect of delays, poor communications with the SEC Panel on change management, technical capability of the solution being delivered by the DCC and escalating costs in the management and delivery of the Smart Meter Communications programme. We recognise the delivery of the Smart Meter Communications programme is outside the scope of this SCR and consultation but the DCC’s current experience of handling large scale industry programmes does call into question their capability to manage the CSS provider through and beyond the DBT phase.
Q5.2	Do you believe that our proposed drafting to amend LC 15 of DCC’s licence would, if implemented, accurately reflect our expressed intentions? If not, why not?	Yes we agree with the proposed drafting to LC15 of the DCC’s licence. However, recommend based on our concerns raised in response to Q5.4 that in addition to the triggers Ofgem referenced under paragraph 5.14 Ofgem also consider DCC failure to meet other licence requirements on the Smart Implementation Communications Programme in addition to the CRS as a

Reference	Question	Comment
		<p>trigger as part of the threshold criteria for an earlier review of whether the DCC remains the right party to be responsible for operation of the CSS for steady state operations.</p>
<p>Q5.3</p>	<p>Do you agree with our proposal to add new CRS specific price control terms. Do you think any of these terms are unnecessary or are there other terms we should consider adding?</p>	<p>Yes we agree with the principle that the new CRS specific price control framework which would underpin the licence modifications to include financial incentives/sanctions for the DBT phase and we welcome the opportunity to comment further on the margin and framework in Ofgem's forthcoming consultation in autumn/winter.</p> <p>However, we note that under paragraph 5.30 Ofgem are proposing the DCC would recover costs associated with the development, documentation and procurement of CRS to be met by DCC Services users through monthly fixed charges. Using the existing charging methodology set out with SEC for the DBT and Post Implementation period. This is at odds with proposed cost recovery of the new REC which would be solely placed upon Suppliers (refer to our response to Q2.3). As currently DNOs are charged as users of the DCC Services. Ofgem are not setting a timeframe for when RECCo would eventually become the contracting party with the CSS provider but as minimum would be up to 2020 as set out under paragraph 5.31.</p> <p>Consequently, using the existing charging methodology would not be appropriate and is inconsistent with the policy intent Ofgem sets out as it would increase charges to DNOs.</p>
<p>Q5.4</p>	<p>Do you agree with the high-level programme outcomes we believe the programme should look to incentivise? Can you suggest further areas we should look to include and are there aspects you believe should be prioritised?</p>	<p>Yes in principle we agree with the high-level programme outcomes that the programme should look to incentivise, subject to inclusion of a provision that any delays in procurement of CSS providers by DCC is appropriately reflected in a DNO proposed cooperation licence obligation to data cleanse, migrate and test. Whereby under the following proposed licence drafting Ofgem would include additional text as follows:</p> <p><i>e) reasonable endeavours to:</i></p> <p><i>i) meet key programme milestones for the completion of any action(s) <u>assigned to the licensee subject to persons appointed by the Authority, or appointed pursuant to a Direction of the Authority meeting their key programme milestones.</u></i></p> <p>Consequently, we welcome Ofgem's proposal DCC should have a mirrored cooperation licence requirement to meet key SCR programme milestones (also refer to our response to Q2.1).</p>

Reference	Question	Comment
Chapter 6: The SCR Process		
Q6.1	Do you agree with the changes that we propose to make to the scope of the Switching SCR?	Yes in principle we agree with the change made to the scope of the Switching SCR. However, refer to our response to Q5.1 and concerns regarding the DCC's delays, communications with the SEC Panel on change management and escalating costs in the management and delivery of the Smart Meter Communications programme. We recommend the DCC's delivery of the Smart Meter Communications programme should be inside of scope of this SCR as the DCC's current experience of handling large scale industry programmes does call into question their capability to manage the CSS provider through and beyond the DBT phase. Our recommendation is the second to last bullet on page 75 of paragraph 6.7 is amended to ensure their current programme delivery is inside scope along the lines of: <i>"Defining and indentifying how to execute a transition and implementation scheme for the CSS and new switching arrangements, including changes to other impacted central systems <u>taking into consideration DCC's management of existing Smart Meter Communications licence obligations.</u>"</i>
Q6.2	Are there any further changes that you consider we should make, either to bring something into scope, or to explicitly rule it out of scope?	Yes see our response to Q6.1.
Q6.3	Do you agree with our proposed approach of publishing the drafting of all SCR related changes circa Q1 2019, but waiting until systems have been proven through testing before submitting the proposals into the modifications process?	Yes we agree subject to: <ul style="list-style-type: none"> • there are robust governance and configuration/document management procedures in place as part of the programme phase; and • DNOs do not share funding the new REC Company (RECCo) transitional and DCC procurement and management arrangements using the existing MRA and SEC charging methodologies, respectively. It is inappropriate for DNOs to contribute to funding these arrangements. It is more appropriate for these charges to be ring fenced and funded by Suppliers, as the responsible licensees for switching which is reflected in Ofgem's proposal for Suppliers to fund the enduring RECCo arrangements.