



Rachel Clark, Switching Programme  
Ofgem  
9 Millbank  
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SW1P 3GE

31 July 2018

Dear Rachel,

Re: Switching Programme: Proposed modifications to regulation and governance

Thank you for the opportunity to provide respond to this consultation. Northern Gas Networks (NGN) has been actively involved in the Switching Programme as well as working collaboratively with Xoserve and industry in considering the impacts of consequential changes this may result in.

We have set out our responses the specific question in the consultation in the attached appendix. NGN has limited responses to the specific questions that impact on our business as a Gas Transporter or where consequential impacts to our contracts of processes have been identified at this point.

In general NGN agrees with the scope and structure of the Retail Energy Code (REC) as set out in this consultation and agree that for gas the SPAA funding principles will ensure that costs are recovered in the most appropriate manner.

Overall, we are supportive of the revised arrangements and are keen to ensure that economic and efficient solutions that are proportionate to each party's interaction with switching are put in place. We note that paragraph 4.50 places obligations on Gas Transporters to ensure compliance with the REC for activities undertaken by the Gas Retail Data Agent. This activity will be undertaken by Xoserve Limited and it should be noted that Gas Transporters no longer have sufficient control of Xoserve through either the Board of Directors of the Data Services Contract Committees to be able to provide this compliance role within the REC. We believe that this responsibility should be with suppliers and their shippers who have control over the switching services provided by Xoserve.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

By email

Joanna Ferguson  
Regulation and Industry Codes Manager



## Appendix 1

### Consultation Questions

#### Chapter Two

*Question 2.1: 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?*

NGN is generally supportive of having arrangements to ensure cooperation. We agree that where activities are within the control of industry parties cooperation or facilitation will improve the overall efficiency of large scale projects managed through significant code projects.

*Question 2.2: 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?*

The RECCo arrangements are consistent with other industry codes and would facilitate delivery and transition of the arrangements.

*Question 2.3: Do you agree that the bodies constituted under the REC could suitably play a formal part in the programme governance?*

Industry engagement and participation within the programme governance would help to ensure that parties are able to influence the programme to provide delivery assurance.

*Question 2.4: 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?*

N/A to NGN

*Question 2.5: Do you agree that it would be appropriate to have in place interim governance arrangements prior to REC v2 coming into effect?*

NGN believes that robust industry governance for all codes is essential for the efficient operation of the codes. The scale of changes proposed with the introduction of the REC would benefit from broader industry engagement through an appropriately constituted governance route.

#### Chapter Three

*Question 3.1: Do you agree with the proposed powers and functions of the RECCo Board, REC Panel and REC Manager, and how they should be distributed?*

Composition of industry code panels and committees is always difficult to obtain agreement on. It is important that parties have appropriate control over their ability to comply with specific obligations within the REC. The powers and functions of the RECCo Board and REC Panel are consistent with those in the SPAA and SEC although the REC Manager role undertakes wider activities closer to those proposed in the most recent Code Governance Review. NGN agrees with the proposed distribution of functions across these bodies.

*Question 3.2: Do you agree with the proposal that independent Non-Executive Directors, potentially from outside of the energy industry, should sit on the RECCo Board and that the composition of that RECCo Board should be subject to thorough review, both periodically and/or whenever the scope of the REC/RECCo Board responsibilities change substantially?*

NGNs only concern about the introduction of Non-Executive Directors from outside the energy industry lies in whether the costs associated with this are efficiently incurred. RECCo Board should have an appropriate balance of skills to ensure that the operation of RECCo is strategically aligned to improved consumer switching experience in the most economic and efficient manner. This balance of board level skills and experience should be maintained through periodic review to ensure that no skills or knowledge gaps develop.

*Question 3.3: Do you agree with the principles for REC Panel composition as set out in paragraph 3.43?*

The proposal to ensure that REC Panel composition is accountable, enfranchised, has suitable expertise and an appropriate size should ensure that the Panel can adequately represent industry and delivery of day-to-day switching activities including changes to improve efficiency and the consumer experience. Accessibility of Panel meetings through suitable technology is important to ensure consistency of attendance and engagement from elected parties to the Panel.

*Question 3.4: Do you agree that there should be entry and systems testing requirements placed on new entrants, comparable to those we expect incumbent suppliers to undergo as part of the transition to the new switching arrangements?*

NGN agrees that ensuring technical readiness to begin operating in the energy market should be a requirement for new entrants.

#### Chapter Four

*Question 4.1: 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.*

The minimum content associated with governance, technical documents and subsidiary documents is in line with expectations through the programme.

*Question 4.2: 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 the Switching Domain Data should make it available to Market Participants?*

NGN believes that a centrally collated set of data made available by the REC Code Manager would be a more efficient way to delivery this element while the Data Master will remain responsible for the creation and amendment of the data.

*Question 4.3: Paragraphs 4.20-4.24 suggest that the DCC should be subject to a data quality objective and performance standards around the quality of the 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)?*

Retail Energy Location address data quality objectives should be agreed by REC parties and monitored through an appropriate assurance committee. Issues associated with address management have previously been considered through existing industry governance the development of a dual fuel arrangement that can differentiate between a Meter Point Location (the Emergency Control Valve for gas) and the retail location will require periodic review to ensure that it remains appropriate.

*Question 4.4: 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 industry participants? If so, please provide your rationale for this and outline which market participants should have access.*

N/A for NGN

*Question 4.5: Paragraph 4.25 suggests that the DCC should set out the methodology it will apply to meet REL Address data performance standards on an annual basis. Do you agree that it would be beneficial to make this methodology publicly available?*

All methodologies that do not contain commercially sensitive information should be made available.

*Question 4.6: Do you support the creation of an Enquiry Services Schedule in the RECv2? If so, which of the options around the requirements (in paragraph 4.32) do you prefer? Please provide details to explain your answer.*

NGN intends to continue to utilise the centralised services provided by Xoserve which are associated with transportation charging and settlement.

*Question 4.7: 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.*

The schedules set out relate to supplier to supplier activities currently managed through SPAA and are not relevant to NGN

*Question 4.8: 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.*

The schedules set out relate to supplier to supplier activities currently managed through SPAA and are not relevant to NGN

*Question 4.9: 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.*

The listed documents appear appropriate at this stage.

## Chapter Five

*Question 5.1: Do you agree with the role we have set out for the DCC during the BDT phase and steady state operations? If not, why not.*

*Question 5.2: Do you believe that our proposed drafting to amend LC15 of the DCC's Licence would, if implemented, accurately reflect our expressed intentions? If not, why not.*

*Question 5.3: 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?*

*Question 5.4: Do you agree with the high-level programme outcomes we believe the programme should seek to incentivise? Can you suggest further areas we should look to include and are there aspects you believe should be prioritised?*

NGN is not in a position to assess the changes to the DCC Licence.

## Chapter Six

*Question 6.1: Do you agree with the changes that we propose to make to the scope of the Switching SCR?*

We agree that the SCR should include clarity on the end to end switching process in its entirety. Consequential changes to other codes are critical to ensure that no dual governance is introduced and no gaps develop from a fragmented programme.

*Question 6.2: Are there further changes that you consider we should make, either to bring something into scope, or to explicitly rule it out of scope?*

None identified at this time.

*Question 6.3: 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 modification process?*

NGN is supportive of early publication of proposed changes, and agrees that a degree of flexibility is required to make minor changes as a result of system delivery, however we are concerned that such late submission of the proposals may lead to a high degree of change required to take account of subsequent changes to existing codes and that the lack of certainty of obligations results in regulatory risk for industry parties.