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Rachel Clark
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Ofgem
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Dear Rachel,

Re: Switching Programme: Proposed modifications to regulation and governance

The Smart Energy Code (SEC) Panel welcomes the opportunity to respond to Ofgem's consultation on the Switching Programme: 'Proposed modifications to regulation and governance'. This response represents the collective views of the SEC Panel which were discussed and agreed at the July 2018 Panel meeting.

The Panel has previously raised concerns on how the expansion of the DCC's role may impact the governance and regulatory framework in its response to the consultation 'Delivering Faster and More Reliable Switching: proposed new switching arrangements' in November 2017. This view remains unchanged.

The implementation of the Retail Energy Code (REC) will create considerable increase in demand on DCC resources as it procures and establishes new functions and obligations under its License. The SEC Panel is asking for assurance that the upcoming REC efforts will not affect the DCC's ability to deliver SEC requirements and obligations, the performance of its systems, the services required by DCC Users and the roll out of the wider Smart Meter Implementation Programme.

The SEC Panel recognise that there are efficiency savings to be made from an approach which seeks to combine the system and data requirements of the Central Switching Service (CSS) and the SEC, which would ultimately benefit the consumer. However, the Panel would like to highlight that the Smart programme is reaching a critical stage and any impact on the DCC resource available to support the rollout, could severely affect the progress. In addition, due to the scale of the rollout, the scalability and provision of services have yet to be truly stress-tested. The SEC Panel therefore reiterates the need for assurance that DCC resource and support for SEC obligations and workstreams will not be affected at this critical junction at which the Smart Metering rollout finds itself; and that any 'ring fencing' of resource is clear.

Further to the concerns regarding adequate levels of DCC resource to support Smart Meter roll-out, the SEC Panel also notes that it is currently ambiguous whether DCC's End-to-End Testing Plan (D-4.3.3) includes any testing that is to be done on the DCC, by the DCC. The DCC should not be in a position where they perform an Impact Assessment on their own systems (Switching Programme

DCC assessing Smart Metering DCC). To alleviate these concerns, the SEC Panel would welcome the appointment of an independent Systems Assurance Provider to oversee system releases.

In addition to independent assurance, SEC governance should provide a role in the security assurance, to ensure the new systems do not compromise or reduce the overall system security. Equally, any impact on the underlying architecture of the systems should be reviewed under SEC governance. There are SEC groups in place that are suitable routes to assess both the security and system implications (the Technical Architecture and Business Architecture Sub-Committee (TABASC) and the Security Sub Committee). The Testing Advisory Group could be a suitable alternative route.

Considerations should also be given to transparency and fairness of cost and data access. The industry will have limited visibility on the resource that is working on each of the contracts, data access and security; and whether this is causing any issues. To mitigate this and protect consumers, an element of assurance and oversight would be expected, as well as clarity on costings. It would be of concern if the DCC is intending to use the same resource for the regulatory and engagement of the CSS, as is being used for the SEC.

It is of importance to the SEC Panel to receive assurance, and where possible, evidence of system preparation ahead of the implementation of the CSS. A notable example is the Service Request Forecasting that users are required to carry out. Ahead of the implementation of the CSS, various data cleansing exercises are expected to be undertaken, this would considerably increase the number of Service Requests to be issued. For accurate forecasts to be made DCC Users would need to be aware of timeframes for these data cleanse exercises and consequently the DCC would need to ensure sufficient system capacity. Considerations for the system requirements in the case of large scale data cleanses should be incorporated in the Service Request Forecasting. It is further recommended there is an Impact Assessment on the effects of the Switching Programme on the DCC User Interface Specification (DUIS) and related subsidiary documents and that the SEC Panel should be informed of its results.

Developments in the Switching Programme will require modifications to the SEC and the Panel would expect to be appropriately informed on the modification requirements in a timely manner, to enable the necessary resource and oversight to be provided.

The Panel notes that it has provided SEC support to the faster switching programme, in part, to ensure that the impacts on the SEC were taken into consideration and there was a consistent perspective present in the formation of the programme. Regardless of the continued support provided from the SEC Panel, it is important that the concerns highlighted above should be taken into consideration as part of this consultation.

It should be noted that whilst the views expressed in this response reflect the opinions and concerns of the majority of Panel Members, they are not reflective of the views of the DCC Panel member; who believes the DCC can successfully differentiate resource/cost and deliver both workstreams successfully. They also note that the appointment of the Core Systems Assurance Provider (who report directly to Ofgem) already forms part of the workstream plan and will provide the important role of independent oversight and assurance. They believe this should mitigate concerns raised in this area.

If you would like to discuss our response, please contact SECAS in the first instance on 020 7090 7755 or secas@gemserv.com.

Yours sincerely,

Peter Davies
SEC Panel Chair