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Date  
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Dear Rachel

**Switching Programme: Proposed modification to regulation and governance**

This response is from SP Energy Networks (SPEN). SPEN holds three electricity network licences. We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) which serves two million customers, and Merseyside and North Wales (SP Manweb) which serves one and a half million customers. We also own and maintain the electricity transmission network in the Central Belt and South of Scotland (SP Transmission). We ensure that all of our customers have safe and secure energy supplies and our ultimate aim is to empower our cities and communities to achieve the economic and health ambitions which can be realised from a low carbon economy.

Thank you for the opportunity to comment on the Switching Programme's latest consultation document. We have provided detailed responses to your questions below, and I would be happy to discuss these in person if you would find this helpful.

Yours sincerely,

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## **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?**

We agree that for an industry wide programme of work to be delivered in the most efficient manner possible, it needs the support and co-operation of the relevant market participants. We can also see that Ofgem is currently limited in what it can ask of market participants in this area, and that it wants to avoid drafting a new time-bound licence condition every time a significant industry wide programme of work is established. However, we believe there are some challenges with drafting a generic licence condition in this area.

- The proposed drafting sets out the licensee's obligation to co-operate as 'not being limited to' areas including testing, provision of data and data cleansing. Such open drafting introduces significant risk to licensees. Any requests would need to have first undergone a degree of scrutiny by licensees and wider industry to ensure that they are justifiable and there is clear evidence of consumer benefit. Without such due process there is a risk of an unjustified increased burden on licensees' resources. Licence drafting should take account of the need for due process to have been completed to confirm that the requests are justified.
- Furthermore, the proposed drafting places an absolute obligation on the licensee that it "will cooperate". Given the openness of the drafting, we consider that it would be more appropriate for this obligation to be drafted as obliging the licensee to "use reasonable endeavours to cooperate to the extent reasonably necessary, with any persons..."
- The proposed drafting requires co-operation 'in order to give full effect to the conclusions of a significant code project'. Where the 'significant' code project' draft definition is currently 'significant code review or such other project as Ofgem may direct'. In line with our previous comments, we believe this drafting needs to be tighter to ensure that the proposed project has gone through industry scrutiny and due process before it is termed as 'significant code project'. The definition should list all of the established routes which could result in the creation of such a project and ultimately the projects classified in this way should be listed in Ofgem's Forward Work Programme.
- We would also like Ofgem to provide further details of how they anticipate such co-operation to be funded in licensed businesses that are subject to the RIIO price control framework.

### **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 see the benefit in the RECCo being in situ prior to RECv2, as there are key issues that can be picked up in this timescale (i.e. Funding arrangements, as initially the MRA will fund the Ofgem resource for programme management)

### **Q2.3: Do you agree that the bodies constituted under the REC could suitably play a formal part in the programme governance?**

We believe that the bodies constituted under the REC (particularly in the transition phase between RECv1 and RECv2) will have the scope to play an instrumental role in the programme governance. We see the REC Manager as being a fundamental pivotal role in the programme in relation to co-ordination. It is clear that there are a number of changes that require careful consideration prior to go-live that, such as performance assurance and financial arrangements. We would however seek clarification on the funding arrangements for the transitional period, as the REC is to be Supplier only funded, whereas if the transitional arrangements fall under the remit of MRA/SEC then the DNOs will also be funding. We would like confirmation that Ofgem recognise this and that there is scope to change this to Supplier only

### **Q2.4: 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?**

Yes, we see no merit in moving away from the existing definition and believe that to do so may cause confusion among industry participants.

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**Q2.5: Do you agree that it would be appropriate to have in place interim governance arrangements prior to REC v2 coming into effect?**

Yes, we believe that it would be prudent to have internal governance arrangements in place prior to RECv2 coming into effect, as REC v2 is not currently anticipated to be in place until late 2020.

**Chapter 3: REC Governance**

**Q3.1: 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?**

The format of the Board and Panel is in a number of ways, similar to the current split, however the introduction of the REC Manager to cover the Code Administrator role "plus", gives a greater scope to this area and greater accountability

The RECCo Board in addition to providing strategic support to the Panel will also manage the performance of the REC Panel and REC Manager. It is not clear from the documentation how overseeing this will be devolved or delegated to the performance assurance board. We have answered the REC Panel aspect in Q3.3

**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?**

We have no objection to the proposal for NEDS to be present on the RECCo Board, however believe that careful consideration is required to the number of NEDS elected to the Board to ensure proportionality. We feel that this is a forward thinking proposal from which the Industry may benefit from a cross section of experience.

We support the view that the composition of the Board should be subject to thorough review periodically, and when the scope changes.

**Q3.3: Do you agree with the proposed composition, powers and functions of the REC Panel?**

We agree in principle with the proposals regarding the REC Panel however believe that there should be a level of engagement in decisions of operational strategy

**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?**

We agree that there should be entry and systems testing requirements placed on new entrants. We also agree that these requirements should be comparable to those carried out for incumbent Suppliers and we are of the view that this should be a level playing field with essentially all parties being 'new entrants' to the CSS. However in the case of CSS, there are no incumbent Suppliers at present and we fully support the intention that if parties have not participated in testing during the implementation of the REC, they should complete an Entry Assessment.

We support Ofgem's proposal that the Network Operators would accede to the REC, but would not be required to undertake entry assessment for REC v1 & v2, and furthermore would not require application fees to be paid, as DNOs are receiving and synchronising data only

**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.**

We believe that the minimum content for RECv2 is comprehensive, and can see no obvious omissions. However, it is not clear at this point that where there are impacts on other codes that this will be referenced in the REC. We believe that it is imperative that these are not lost in the drafting of the REC.

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**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?**

The proposal for the REC Code Manager to collate Switching Domain Data and make available to Industry parties, would in our opinion assist in streamlining the process, we think this is a solution that will negate the need for multiple updates across multiple parties, The REC Code Manager is the Data Master for some of the elements under the REC, and we would expect that the same diligence would be applied if they were to be the custodian of the data provided by other 'data masters'

**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)?**

We are of the view that it is key that the DCC should be subject to a Data Quality objective and performance standards around the REL address. We are unable to suggest any quality measures at this time, as we have no visibility of the source information that they are dealing with and the issues that this would cause. It may be that following the outcomes of the 'Data Quality: Address Matching' teleconference that this may highlight key areas.

We believe that the REC Panel should have a role in setting these targets initially and certainly on a periodic basis.

**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 RMP and REL address are an important aspect of ensuring that the switching process works well, to this end we see no reason why this information should not be shared with interested parties. There is potentially a benefit in sharing this at least with the DNO/IDNO/GT/IGT in the first instance, however there is also a benefit in sharing with suppliers as they will feel the pain if this area is impacting on the switching quality.

**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?**

It is appropriate that the DCC sets out the methodology to meet the Performance Standards, we believe that by making this publicly available there is scope for other parties to suggest options/collaborations that may assist in meeting this objective further (although we fully appreciate that there is no obligation on them to do so). It also provides a greater degree of clarity on the steps that the DCC are undertaking and ensures understanding across interested parties.

**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.**

Although we would not at this point anticipate the requirement to utilise an enquiry schedule across both fuels, we believe that Option 3 is the cleanest method of dealing with the split of DES data requirements, we do not believe that areas where the data is owned by a non REC party (shipper in this case) can be governed by REC, neither would it be prudent to split them across two codes.

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**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, however we would recommend further assessment of the SOLR process, as there are implications for DNO's as part of this process (currently under the DCUSA) and these should remain in the DCUSA, and referenced in the REC.

**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.**

We do not understand the logic for the 'Retrospective changes' element being assigned to 'no significant changes pot' under the REC. Currently the DNO process Retrospective changes when the Supplier is unable to do so. It is not clear to us how the Supplier Registration elements (anticipated that this will require to be triggered by CSS) can be split from the agent appointments (assumed to be retained in MPRS)

We believe will need to be addressed prior to 'Go Live', as currently this is carried out by the DNO (as part of the MAP04 process), we believe that there needs to be a clear steer on how this will work through the CSS and if it will straddle more than one code.

We perceive the other areas to be mainly Supplier focussed and we do not feel that this is something that we can provide robust comments in terms of process in relation to these, however have provided a high level observation below.

- Crossed Meters is only referenced in relation to Gas, when this is also an issue in Electricity (WP145) not sure why this has not been captured

**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.**

There is no unnecessary content listed.

**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.**

Yes.

**Q4.11: Do you believe we have assigned the correct responsibility for producing each REC subsidiary document? If not, please provide further details.**

Yes.

#### **Chapter 5: The DCC licence**

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

Yes, we believe that the role of the DCC should be extended to ensure that following the design and procurement of the CSS the DCC retain responsibility/accountability for delivery. We are pleased that the role of DCC has been extended to past the point of Go -Live/steady state and until the Authority deems it to end. We have stated this in previous consultations and see no reason to deviate from this.

We would hope that lessons learned from the DCC delivery will be incorporated into the Project to ensure that timescales/cost targets are met, and testing is robust and complete.

**Question 5.2: 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?**

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Yes.

**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?**

We feel that the additional CRS specific price control items are reflective of the requirements. However, the proposal for DCC to recover development and procurement costs of CRS through charging set out in the SEC would unfairly increase charges on DNOs and be inconsistent with the intention for REC set up costs to be placed upon Suppliers.

**Question 5.4: 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?**

We are fully supportive of the programme outcomes referenced and where incentives should apply. All outcomes are critical to the successful delivery of the programme, however, we believe that the key aspect (particularly given the large number of industry parties) is "regular, open, clear communication / engagement with all stakeholders".

**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, we believe it is in the interests of the customer and all industry parties not to replace existing systems where there is no requirement to do so. The amended text in the consultation document appears to reflect the changes accurately.

**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?**

At this point there are no other areas that should be brought into scope.

**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?**

We agree in principle to this approach. However we need to be cognisant that there may be requirements on parties in relation to Phase 0 (data cleansing) that may require submission ahead of this date. Communications to ALL parties in relation to this will need to be understood, as this may result in a reduced implementation timescales, and therefore may have a potential adverse impact on parties if they are not fully aware of the impacts.

We are fully supportive of a co-ordinated approach to the cleansing and management of Data, and believe that the requirement on the DNO should reflect the same as the Supplier requirement, being, "Each DNO should take reasonable steps to ensure the accuracy of the MPL Addresses recorded for its Metering Points in its MPAS".

Furthermore we would appreciate clarity on the following requirement

"and shall co-operate with any investigation by the CSS Provider into the accuracy of the REL address". It would be useful to know to what extent the term 'co-operate' relates, given that the DNO have no input into the creation of the REL

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