

Rachel Clark
Programme Director
Ofgem
10 South Colonnade
Canary Wharf
LONDON
E14 4PU

30 July 2018

Dear Rachel

Switching Programme: Proposed Modifications to Regulation and Governance

Thank you for the opportunity to respond to Ofgem's latest Switching Programme consultation.

We have prepared our response following a period of engagement with our Gas Transporter and Shipper customers. Our co-operative governance model has allowed us to run an efficient and effective engagement process. Whilst we are not formally responding for and on behalf of our customers, both we and Ofgem can be confident that our response is reflective of our customers' views.

Decisions about the design of the Retail Energy Code (REC) and the REC governance model can help the industry take a big step towards a more consumer centric approach. We are supportive of Ofgem's ambitions for the REC to facilitate innovation, to promote positive consumer outcomes, and to deliver strategic change that benefits consumers.

It is important not to lose sight of these ambitions when faced with the significant challenges of delivering the Switching Programme. The regulation and governance work alone introduces a new industry Code with a common set of rules for gas and electricity Supplier switching, has consequential impacts on a number of existing Codes, as well as requiring Licence amendments. The opportunity to simplify the industry Code landscape by removing the need for the Supply Point Administration Agreement and the Master Registration Agreement is one that should be taken, although there is a risk that the complexity of the REC governance framework and future cross-Code change could offset or even outweigh the benefits of simplification.

Annex 1 contains our responses to the consultation questions which are pertinent to our current role as the gas industry Central Data Services Provider (CDSP) and our future roles as envisaged by the

REC proposals. We would particularly draw Ofgem's attention to the anomalies between the REC and CDSP governance models.

Annex 2 contains detailed comments on the published REC Schedules. It is important that, in the period prior to the establishment of formal REC governance, there is a fully transparent and easily accessible change control process for the evolution of the REC Schedules. We would recommend that there should be opportunity for a review of the Schedules, including the validation rules in the Technical Specifications, once a detailed analysis of the consequential impacts on existing Codes has been completed.

We look forward to continuing to work with Ofgem, our customers and the wider industry to deliver a successful Switching Programme. In the meantime, if you wish to discuss further any aspect of our response, please do not hesitate to contact me. We are happy for you to publish this response in full.

Yours sincerely

Martin Baker

Head of Strategy

martin.baker@xoserve.com

Annex 1 – Responses to Consultation Questions

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 support the principle that licensees should be required to cooperate in the delivery of significant market reforms. We would expect that in practice Ofgem would enforce the obligation only as a last resort, and that the normal ways of working in large change programmes would include active stakeholder engagement and would encourage a ‘good citizen’ approach amongst market participants.

We support the requirement for licensees to use reasonable endeavours to identify dependencies on and secure support from third parties. Our CDSP model contains a governance framework that allows our licensed customers to readily define, obtain access to and control the support services that they require from their central service provider.

Chapter 3: REC Governance

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

We support the two key design principles in the composition of the REC Panel, namely that there should be representation of all REC Parties in decision making processes, and that there should be independent members to represent and protect consumer interests. Taken together, these design principles balance the needs of doing the right thing for the market and protecting stakeholders’ interests.

We would have a minimum requirement to attend REC Panel meetings as an observer, as we currently do at UNC Panel meetings.

We have a particular concern with the proposal that the Gas Transporters are to be responsible for ensuring that we discharge our REC obligations as Gas Retail Data Agent and as Gas Market Intelligence Agent. Although we would not be a REC Party in our own right and not a REC Panel member, we would nevertheless be expected to discharge REC obligations, to respond to REC Change Proposals and to advise REC Parties on service requirements and solutions.

Our CDSP co-operative governance model – which was implemented in April 2017 following the conclusion of Ofgem’s review of Xoserve funding, governance and ownership – places corporate and contractual control of the Xoserve business and the services that it provides in the collective hands of our Gas Transporter, Shipper and independent Gas Transporter customers. The proposal that the Gas Transporters are to be exclusively responsible for ensuring our compliance with REC obligations

is at odds with the CDSP governance model, and would leave our Shipper customers without a voice in REC decisions that have a bearing on the CDSP business.

We have reflected on possible options to address this anomaly: giving the CDSP a formal position on the REC Panel; bringing Shippers into REC governance; or bringing Suppliers into CDSP governance. We consider that the first of these could be the easiest to implement, and would provide a means for the interests of all CDSP customers to be represented. The other options appear difficult to implement, and each one would add a significant overhead to REC implementation and delivery of the Switching Programme. In the event that Ofgem concludes that it should adhere to the proposal set out in the consultation document, we would welcome clarification of the escalation route that our Gas Transporter customers should follow in the event of an inconsistency in REC and DSC instructions to the CDSP.

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 new entrants should be able to demonstrate their readiness to enter the market. This is necessary to protect consumers from the risks of supplier failure and failed switching transactions. Whilst it is clearly desirable to bring the gas market into line with the better established arrangements in the electricity industry, we would be looking for clarity on the scope of such arrangements and how they would be funded. Specifically, if the scope of new entrant systems testing were to include interaction with CDSP applications such as the UK Link system, this would point to a requirement for an enduring test estate and market trials service, incurring both set up and ongoing maintenance costs.

Chapter 4: REC Content

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 agree with the need for the creation of an Enquiry Services Schedule in REC v2, and have a number of observations on the options for positioning the governance for access to and use of the data that will be available through the REC Enquiry Service.

Option 1 creates a highly REC centric arrangement, but would extend the scope of data items under REC governance beyond the switching process and also embrace data items used in transportation and settlement processes. This would mean that the CDSP and UNC Parties would have a dependency on REC governance decisions regarding permissions to access and use data, and would bear the risks associated with incorrect disclosure with no means of mitigating that risk.

Option 2 represents the most complex arrangement. It requires clear industry agreement for each DES data item that it is or is not a switching data item. One possible approach to the delineation of data items is to look at the processes in which they are mastered, such that switching data items would be limited to those mastered by the Central Switching Service process. However, this approach does not take account of the different purposes for which users are accessing the data. There is also a risk that Option 2 would lead to dual governance, with changes to DES data items requiring approval under both REC and UNC governance.

Option 3 is the most mindful of prevailing arrangements and requires the least change effort to implement. Adopting Option 3 would allow the Switching Programme to focus its efforts on implementing and embedding the core central switching function, with any changes to data access governance being addressed at a later date.

The range of options available for positioning data access rules in different industry Codes highlights the need for Ofgem and the industry to give serious consideration to the adoption of an industry wide Open Data Framework. This could be used to enshrine common data access obligations in all industry Licences, supported by access governance set out in individual Codes for both Code and non-Code parties. The Framework would need to ensure not only access for other licensees and Code parties, but also a permissions model that allows other industry participants who play a role in ensuring a positive consumer experience to have access to relevant data to meet their business requirements.

Annex 2 – Comments on REC Schedules

Address Management Schedule – General Comment

We understand that the Retail Energy Location (REL) Address will be provided either to Xoserve as Gas Retail Data Agent, or potentially direct to the relevant Gas Transporter. We would welcome clarity as to the REC requirements for parties to take action (if any) upon receipt of REL Address information, and would expect to see such clarification added to future iterations of the Address Management Schedule.

Schedule: Change Management		
Section	Clause	Comment
11	11.2(a)	Timescales for the provision of analysis costs following receipt of a request from the REC Manager should be aligned to the outcome of the CACOP recommendation that change proposals should be presented to a change panel for parties to determine the assessment period. At this early stage in the change process, the costs should be those for the provision of 'order of magnitude' information rather than for detailed analysis.
11	11.2(b)	<p>Consequential changes to UK Link will be prioritised and implementation dates ratified by the DSC Change Management Committee under the CDSP governance framework. This includes agreement of the funding parties for each consequential change. The DSC Change Management Procedure therefore needs to be amended to include REC Changes in its scope.</p> <p>There is a risk that the prioritisation of other UK Link changes (e.g. required as a result of UNC Modifications) by the DSC Change Management Committee will impede or constrain the delivery of REC related consequential changes. In these circumstances, the CDSP will require a route for escalation and resolution of conflicting priorities.</p>

Schedule: Interpretation		
Section	Clause	Comment
1	1.1	The definition of 'Initial Registration Request' should be amended such that it refers to a Registration Status (of not 'Active') rather than to the Registrable Measurement Point (RMP) Status

Schedule: Transition		
Section	Clause	Comment
3	3.4	We do not have any concerns with the drafting of this clause, but would request the earliest possible visibility of the Integration Memorandum of Understanding

Schedule: Registration		
Section	Clause	Comment
4	4.2	The requirements of this clause do not align to the CSS Service Management Document. We agree with the requirements as defined in Clause 4.2, and would expect that the CSS Service Management Document would be amended accordingly.
5	5.2(a)	We recommend that the scope of the validations be extended to include validation of the Shipper entity
7	7.1.15	The Synchronisation Message should be amended from 'Switch Request Validated' to 'Switch Rejection'
9	9.1	The withdrawal provisions do not expressly exclude Transporter Initiated

Schedule: Registration		
Section	Clause	Comment
		Registrations. We would welcome clarification of whether or not the exclusion should be allowed for and specified in the REC Schedule.
9	9.7.3 and 9.7.4	Where a Withdrawal Request is accepted, the Registration Request Status should be set to 'Withdrawn' rather than 'Rejected'. We also suggest that consideration should be given to the introduction of additional message variant types when preparing the Technical Specification.
10	10.8.1	The interface to be used for the submission of Annulment Request is 'SwitchIntervention'. This aligns with the definition in the CSS User Requirements Specification.
10	10.8.4 and 10.8.5	The Registration Request Status should be set to 'Annulled' rather than 'Rejected'. We also suggest that consideration should be given to the introduction of additional message variant types when preparing the Technical Specification.
13	13.2.2.1	The 'GasRegistration' interface relates only to the provision of data in DES. The 'RegistrationSync' interface relates to the provision of data in UK Link, and should also be referenced in this table. This is also relevant to Clauses 13.3.2.1; 13.4.2.1; 14.6.2.1; and 16.7.2.1
13	13.2.2.2	The 'ElectricityRegistration' interface relates only to the provision of data in ECOES. The 'RegistrationSync' interface relates to the provision of data in MPRS, and should also be referenced in this table. This is also relevant to Clauses 13.3.2.2; 13.4.2.2; 14.6.2.2; and 16.7.2.2
14	14.3	The drafting of this Clause could imply that a Deregistration Request could have a retrospective effective date. We think that it would be helpful to specify additional validation rules, as follows: The effective date which can be specified in a Deregistration Request should be: <ul style="list-style-type: none"> • no more than [28] days after (but not including) the day on which the Deregistration Request was submitted; • if the Deregistration Request was submitted before 17.00 hours, no earlier than the next day after the day on which it was submitted; or • if the Deregistration Request was submitted at or after 17.00 hours, no earlier than the second day after the day on which it was submitted.
15	15.2	We think that it would be helpful to specify additional validation rules, as follows: The effective date which can be specified in a Change of Shipper Request must be: <ul style="list-style-type: none"> • no more than [28] days after (but not including) the day on which the Change of Shipper Request was submitted; • if the Change of Shipper Request was submitted before 17.00 hours, no earlier than the next day after the day on which it was submitted; or • if the Change of Shipper Request was submitted at or after 17.00 hours, no earlier than the second day after the day on which it was submitted.
15	15.3(b)	The consistency checks should also include a Regulatory Associations check in order to ensure that the correct relationships are in place between Shippers and Networks. This would bring the Clause into line with the requirements of Clause 5.2(c).
16	16.2	The drafting of this Clause could imply that a Change of Domestic Premises Indicator Request could have a retrospective effective date, and should be reviewed to ensure that it reflects the "Valid event effective rule" (defined in Abacus)

Schedule: Registration		
Section	Clause	Comment
16	16.7.1	The Clause specifies a requirement to flow information to the Energy Supplier. We would welcome clarification of whether or not there should also be an information flow to the Gas Shipper.
16	16.7.2.1	The RegistrationSync flow to the Gas Retail Data Agent is required to include the Domestic Premises Indicator.
17	17.2.3	The footnote to this Clause should require the CSS Provider to revert to the Gas Retail Data Agent (or Electricity Retail Data Agent) in the event of a rejection.

Schedule: Data Management		
Section	Clause	Comment
3	3.1 – 3.3	We would welcome assurance that the requirements in these clauses are correctly aligned to Section 7.2 of the User Requirements Specification.
5	5.6(c)	We would welcome clarification of the requirement for the concatenation of the Market Participant Identifier and the Market Role within the Market Participant Role
5	5.6(a) - (e)	The responsibilities for data mastering are shared between Xoserve as Gas Retail Data Agent and the REC Manager. In discharging our data mastering responsibilities, we would want to seek assurance that Energy Companies hold the necessary licence. In this context, we would welcome clarification of the workings of the Stakeholder Management Process.
6	6.1	We would welcome clarification that the RMP Status would include RMP Address information
6	6.1	The 'Licence Exempt Network Indicator' is defined as being required for electricity only, but is also included in the gas SupplyMeterPointSync interface definition. We would welcome clarification on this point.
6	6.8(a)	We would welcome clarification that the requirement to provide RMP Status updates for a Status of 'Created' is applicable only to electricity, and that there is therefore no requirement on the Gas Retail Data Agent to provide an update in such circumstances.
6	6.11	The UK Link status values in the left hand column of the table do not align to those used in the UK Link system. We would welcome clarification of the mapping of the values between the CSS and UK Link systems and where this mapping detail will be recorded.
6	6.12	A status of 'Created' should be added to this table.