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Dear Ofgem

Consultation on Switching Programme: Regulation and Governance – way forward and statutory consultation on licence modifications

Thank you for the opportunity to comment on the consultation on Switching Programme: Proposed regulation, governance and licence modifications. We are the Distribution Network Operator for the service area that serves 2.4 million customers in urban Manchester, Lancashire and rural Cumbria up to the Scottish Border.

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

We note the proposed new licence requirement for a general duty on DNOs to cooperate with Significant Code Reviews (SCRs) and this is mirrored in the Data Communication Company (DCC) licence. We welcome Ofgem's response in tightening up of the drafting of the proposed general duty to cooperate to only apply where the Authority has consulted upon and given formal notice of a SCR. Whilst we recognise this principle of prior consultation is inherent in the SCR guidance document and has been standard SCR practice to date, we suggest this principle being reflected in the 'Interpretation' text of Standard Licence Condition 20.12 whereby:

Significant Code Review means a review of matters which the Authority considers are likely to relate to one or more of the documents referred to in this condition, or to which the licensee is required under this licence to be a party, and concerning which the Authority has consulted upon and issued a notice to the parties stating that the review will constitute a significant code review,

In addition, to acceding to the Retail Energy Code (REC) and co-operating with the SCR (including industry engagement, data cleansing, testing and migration) we recognise we will continue to have a role and in-house costs to support the switching service as a Electricity Retail Data Agent. As such DNOs should have proportionate access to and controls in the REC change process for associated obligations.

Ofgem are now also referring to a new central Market Intelligence Agent (MIS– ECOES) who is the operator of ECOES. And Ofgem are proposing the REC places obligations on MIS-ECOES and that the DNOs would be jointly responsible with Suppliers for these MIS-ECOES REC obligations and liable for any failures (and associated costs). As the development of the MIS is outside the scope of this SCR and would only be consulted and decided upon in a separate SCR regarding wider consolidation we believe it is too early and pre-emptive of any consultation with industry to include a definition of and obligations in the REC Schedules on a MIS-ECOES and for which DNOs would be liable. We propose all reference to the MIS-ECOES is removed from the relevant REC Schedules. If Ofgem decides to keep the MIS-ECOES obligations within the REC Schedules we request a cost benefit assessment on a party basis is conducted by the Joint MIS Development Group to identify where benefits and therefore costs should fall. DNOs would need to have proportionate access to and controls in the REC change process for these MIS ECOES obligations if they are instigated at a more appropriate juncture.

As the REC will be owned and managed by gas and electricity Suppliers, as the responsible licensees for switching we would welcome confirmation the funding for the new REC Company (RECCo) transitional arrangements for 19/20 will be ring fenced and charged to Suppliers under the Master Registration Agreement (MRA) charging methodology. We are disappointed that Ofgem still do not intend to direct that the DCC ring fence the funding for the DCC procurement and management arrangements to Suppliers and instead the costs will be shared across Suppliers and DNOs using the exiting Smart Energy Code (SEC) charging methodology. It is inappropriate for DNOs to contribute to funding these interim arrangements up to 2021 and beyond for any enduring solution. 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.

As previously reported in our June consultation response, we 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 our customers with plot addresses due to our ongoing data management activities from just under 85% at 2,125 to 309 since April 2018. This means only 0.02% of our customer base is using a plot address. We have worked successfully with several suppliers on this issue.

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 aspect.

Yours sincerely



Paul Auckland
Head of Economic Regulation

The following table includes our views on the consultation:

Ref.	Question	Comment
Chapter 4: Enduring REC Governance		
Q4.1	We would welcome views on whether Ofgem should have an ongoing role in ratifying RECCo Board appointments after the appointment of the first board.	Ofgem should continue to have a role in ratifying the RECCo Board appointments until the REC v3.0 wider consolidation arrangements are in place. Ofgem are proposing to ratify the first RECCo Board to ensure that the requisite mix of skills, expertise and experience is represented. As the scope of the REC is evolving from REC v1.0 (interim) to REC v2.0 (enduring) and Ofgem will be progressing a REC v3.0 (wider code consolidation) as a separate SCR then the RECCo Board needs to reflect the expansion of scope.
Q4.2	We would also welcome views on whether the REC parties should have a role in ratifying the first and/or subsequent boards.	If Ofgem has a role in ratifying the RECCo Board until the REC v3.0 wider consolidation arrangements are in place we do not see a need for REC parties to be involved. If however, Ofgem's final decision is only to ratify the first board then we do see a role for REC parties to ratify subsequent boards.
Q4.3	Do you agree that the REC should place less reliance on face to face industry meetings for modification development and instead empower the REC Manager to develop and analyse proposals, procuring expert support as and where required?	Yes we agree the REC should place less reliance on face to face industry meetings for modification development and peer review of draft documentation can be undertaken offline. We agree the REC Manager should be enabled to undertake a proactive approach to development of modification proposals but this should be approved by the RECCo Change Panel. For example, we do not agree with the REC Manager being empowered to procure subject matter expertise or prioritise the programme of modifications without the prior approval of the RECCo Change Board. We also recommend the REC Manager should have a general duty to focus on efficiency and value for money whilst managing the RECCo service contracts, preparing the RECCo budget and managing RECCo finances,
Q4.4	Do you consider that a recommendation to the Authority should be made by the RECCo Change Panel, with reference to the REC relevant objectives, or based on a vote of REC parties?	We are supportive of the RECCo Change Panel making the recommendation to Authority subject to Suppliers solely funding the RECCo and DNOs will not be a funding party given our limited market role under REC v1.0 and REC v2.0 as this is simpler, reduces the administrative burden and is more cost effective for GB customers. DNO costs, REC obligations, access to and controls in the REC change process should be balanced, for example, if Supplier REC parties can propose changes to DNO costs, e.g. to MPRS or MIS-ECOES, we should, as a minimum have a right to appeal change decisions to Ofgem. Furthermore, if the DNO role is extended under the wider consolidation arrangements for REC v3.0 we would request that the voting rights be revisited as part of the separate REC v3.0 (wider consolidation SCR) and that Ofgem's role remains to ratify the RECCo Board as per our response to Q4.1).

Ref.	Question	Comment
Q4.5	Do you, in principle, support the approach to performance assurance outlined?	Yes we support in principle the approach outlined however, we do not agree it is for the Performance Assurance Board (PAB) to determine, based on an assessment of risk, if and when additional Market Roles should need to go through Entry Assessment. Ofgem have set out that DNOs will not be required to undertake Entry Assessment for REC v1.0 or v2.0 but they we may need to undertake Entry Assessment in the future if the scope of the REC changes (i.e. REC v3.0). The decision if DNOs should undergo Entry Assessment beyond REC v2.0 should be consulted upon once the scope of the REC v3.0 has been designed and should be part of the separate REC v3.0 wider consolidation SCR.
Chapter 5: REC v2.0: Enduring switching arrangements		
Q5.1	Would you support the development of a REC digitalisation strategy?	Yes we would support the development of a REC digitalisation strategy that would enable us as a DNO to interact with a version of the REC that is tailored to our specific business model and to deep dive a particular obligation or topic subject to the REC Manager conducting a cost benefit assessment as part of a general duty to focus on efficiency and value for money. See our related response to Q4.4.
Q5.2	Do you agree that the draft Registration Services Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?	<p>We agree the role and obligations set out for a DNO as an Electricity Retail Data Agent appears valid subject to the following assumptions:</p> <p>Section 13 – Registration Requests</p> <ol style="list-style-type: none"> 1) Under paragraph 13.2.2.2 – this message is sent to both the MRPS and MIS-ECOES and then MIS - ECOES would be updated via the nightly extract from MPRS. 2) Under paragraph 13.2.3 – this is for initial registration at a premise and not the old Supplier objecting to the registration. <p>Section 14 – Deregistration Requests</p> <ol style="list-style-type: none"> 1) Under paragraph 14.6.2.2 - this message is sent to both the MRPS and MIS-ECOES and then MIS - ECOES would be updated via the nightly extract from MPRS. <p>Section 17 – Agent/MAP appointment</p> <ol style="list-style-type: none"> 1) Under paragraph 17.21. This is a general or overarching statement as 17.3.2, 17.3.4, 17.3.5 and 17.3.6 deal with the Meter agent appointments or changes. As such is there is a need for para 17.21? <p>If our assumptions are incorrect we recommend the Schedule is amended to clear up any confusion on roles between parties or as DNO with a dual role. See comments on MIS-ECOES role in our response to Q5.5.</p>
Q5.3	Do you agree that the draft Address Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?	<p>We agree the role and obligations set out for a DNO as an Electricity Retail Data Agent appears valid subject to the following assumptions:</p> <p>Section 5 – Creation of a Retail Energy Location EL (REL) address</p> <ol style="list-style-type: none"> 2) Under Paragraph 5.4.1 - The REL address could be created without an Metering Point Administration Number (MPAN) being associated to it. Or is the link being provided under paragraph 6.6.2 of the Data Management Schedule. If so why are these obligations 2 separate accountabilities?

Ref.	Question	Comment
		<p>3) The REL will not be sent to MPRS If our assumptions are incorrect we recommend the Schedule is amended to clear up any confusion on roles between parties or as DNO with a dual role. See comments on MIS-ECOES role in our response to Q5.5.</p>
Q5.4	<p>Do you agree that the draft Data Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?</p>	<p>We agree the role and obligations set out for a DNO as an Electricity Retail Data Agent appears valid.</p>
Q5.5	<p>Do you agree that the draft Interpretations Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?</p>	<p>Regarding the role of the MIS-ECOES Ofgem are now referring to a new central Market Intelligence Agent (MIS) – ECOES who is the operator of ECOES and that currently Ofgem are proposing the REC places obligations on MIS-ECOES and that the DNOs would be jointly responsible with Suppliers for the MIS-ECOES REC obligations and liable for any failures (and associated costs). We agree with the principle that access to enquiry services is required to promote reliable and faster switching (as per paragraph 1.94 of Appendix 1) and we support the principle of enabling access to the existing data on ECOES,</p> <p>However, we are seeking clarification from Ofgem that our understanding is correct and;</p> <ol style="list-style-type: none"> 1) DNOs will no longer have to provide individual consumer enquiry services for consumers to find out their MPAN or their supplier. 2) The DCC will provide a Central Enquiry Service as a single service would be both easier for consumers to find and use, as well as more efficient to operate. 3) Ofgem consider the development of the MIS is outside of scope of this Switching Programme SCR (as per paragraph 1.188 of Appendix 1) but that reference to the MIS (if not the governance) is a likely outcome of the winding down of the MRA and SPAA and consolidation into the REC which Ofgem are proposing should be consulted upon as part of a separate SCR. <p>We also note in the Ofgem February decision document that Reform Package 3 - "Same-Day Switching with enhanced information provision" (RP3) which included the replacement of ECOES and DES by a new central MIS was rejected. The reason being that Ofgem concluded the additional industry-wide costs of implementing and operating with a DCC procured MIS, as described in RP3, – same-day switching with enhanced information provision – does not represent good value.</p> <p>As the development of the MIS is outside the scope of this Switching SCR and should be consulted and decided upon in a separate SCR regarding wider consolidation. We believe it is too early and pre-emptive of any consultation with industry to include a definition of and obligations in the REC Schedules on a MIS-ECOES and for which DNOs would be liable. We request all reference to the MIS-ECOES is</p>

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		removed from the relevant REC Schedules. If Ofgem decides to keep the MIS-ECOES obligations within the REC Schedules we request the cost benefit assessment on a party basis is conducted by the Joint MIS Development Group and DNOs would have proportionate access to and controls in the REC change process for these obligations.
Q5.6	Do you agree that the draft Entry Assessment and Qualification Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?	DNOs are marked as n/a on the front cover of the Schedule. However, see our response to Q5.1. We welcome Ofgem's decision that DNOs will not be required to undertake Entry Assessment for REC v1.0 or v2.0. We note Ofgem have stated that we may need to undertake Entry Assessment in the future if the scope of the REC changes (i.e. REC v3.0). As such we do not agree it is for the Performance Assurance Board (PAB) to determine, based on an assessment of risk, if and when additional Market Roles should need to go through Entry Assessment. The decision if DNOs should undergo Entry Assessment beyond REC v2.0 should be consulted upon once the scope of the REC v3.0 has been designed and be part of the separate REC v3.0 wider consolidation SCR.
Q5.7	Do you agree with our proposals that: <ul style="list-style-type: none"> • PAB, as part of its role in mitigating risk to consumers and the market, should provide information to the REC Manager on the specific risks that it wants to be mitigated and assured against through Entry Assessment and Re-Qualification; • The Code Manager should have clear obligations to support the Applicant and coordinate with other code managers; and • Suppliers that undertake a material change to their systems, processes or people should undertake Re-Qualification? 	<p>No we do not agree it is for the PAB to determine, based on an assessment of risk, if and when additional Market Roles should need to go through Entry Assessment. Regarding the role of PAB see our responses to Q5.1 and Q5.6.</p> <p>Yes we agree the Code Manager should co-ordinate with other Code Managers. One of the recommendations in the recently published Code Administrators' Performance Survey Findings – 2018 is that cross-code working may be starting to happen but it is still very slow and not cohesive. The report also identified that there is scope to share some of the outcomes that result from the cross code working groups.</p>
Q5.8	Do you think that PAB and the REC Manager should work with service providers to identify and mitigate risks associated with material changes to their systems, processes or people?	No we think it is for each REC party to identify and mitigate risks associated with material changes to their systems, process or people. It is for the Performance Assurance Framework to provide the vehicle for monitoring or escalating risks identified.
Q5.9	Do you agree that the draft Service Management Schedule meets the required standards set out in the Regulatory Design Principles including whether we have set out clear and workable roles and responsibilities for Market Participants, service providers and the Switching Operator that will support the effective operation of the new switching arrangements? If not,	<p>No we do not agree with the required Service availability which we as a Switching Data Service Provider would be obliged to comply with. Under paragraph 4.3 we would interpret our having to mirror Service availability with a Switching Service Desk being provided between 08:00-22:00 daily and a 24x7 service to support the overnight Systems.</p> <p>Our own current support arrangements operate from 08:00-18:00 on working days only. There would be significant resource and operating costs for us to transition to extend hours for a Service Desk and a</p>

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	<p>please describe how you think it should be improved?</p>	<p>24x7 support arrangements for overnight Systems.</p> <p>No we do not agree with the significant and excessive responsibilities placed upon us under paragraph 10.3 to participate in ongoing assessments, meetings, training and reviews and for data security. We have already undergone rigorous entry user testing and assessment as a Smart Energy Code User and party. Ofgem acknowledge under paragraph 5.65 that most, if not all, future REC parties are already subject to security requirements based on transferable standards and regular audits under the regimes of other codes, in particular the SEC.</p> <p>As per our response to Q5.16 we suggest the REC should cross-reference existing code provisions in the SEC and against which SEC Parties are obliged to undergo rigorous annual verification assessments. This would avoid creating separate burdensome processes for REC parties unnecessarily.</p>
Q5.10	<p>We also welcome views on the draft service levels set out in Appendix B of the draft Service Management Schedule.</p>	<p>No we do not agree with penalties being imposed for missing targets under Appendix B.</p>
Q5.11	<p>Do you agree that the draft Switch Meter Reading Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?</p>	<p>No comment. DNOs are marked as n/a on the front cover of the Schedule.</p>
Q5.12	<p>We welcome views on whether we should retain or amend the remit of the proposed Switch Meter Reading Exception Schedule beyond domestic consumers and electricity NHH consumers.</p>	<p>No comment. DNOs are marked as n/a on the front cover of the Schedule.</p>
Q5.13	<p>Do you agree that we should move any requirements to obtain and process meter reads for settlement purposes into the BSC and UNC?</p>	<p>No comment. DNOs are marked as n/a on the front cover of the Schedule.</p>
Q5.14	<p>We welcome views on whether the Switching Meter Reading Exception Schedule should make specific provisions for consumers with smart gas meters.</p>	<p>No comment. DNOs are marked as n/a on the front cover of the Schedule.</p>
Q5.15	<p>Do you agree that the draft Debt Assignment Protocol Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?</p>	<p>No comment. DNOs are marked as n/a on the front cover of the Schedule.</p>

Ref.	Question	Comment
Q5.16	Do you agree that the REC should refer to existing security standards rather than develop separate and bespoke ones?	We agree the REC should cross-reference existing code security provisions in the SEC and against which SEC Parties are obliged to undergo rigorous annual verification assessments. This would avoid creating separate burdensome processes for REC parties unnecessarily.
Q5.17	Do you agree that a consolidated PPM Schedule should be developed and given effect as part of REC v2.0?	No comment. DNOs are marked as n/a on the front cover of the Schedule.
Chapter 6: REC v3.0: wider consultation		
Q6.1	What do you think are the pros and cons of Model A and Model B and which do you think we should use to develop an Exceptions Schedule in the REC?	Suppliers should have interoperable data exchange and scope to decide and resolve exceptions, but how this is managed is a matter for suppliers.
Q6.2	Do you agree that the theft of gas and electricity provisions should be moved to the REC?	No the theft of electricity provisions should remain in DCUSA as this is simpler and avoids unnecessary change if moved. DNOs should have proportionate access to and controls in the REC change process.
Q6.3	Do you agree that the REC Manager should undertake the (re)procurement of any services due to commence at or after REC v2.0 implementation?	Yes we agree the REC Manager should undertake the (re)procurement of any services due to commence at or after REC v2.0 implementation.
Q6.4	Do you support the establishment of an industry-wide data catalogue that all code bodies incorporate by reference into their own codes and collaborate on the maintenance of?	We encourage Ofgem to undertake a full impact assessment for both gas and electricity data catalogue infrastructure before making any decision regarding establishment of a dual code data catalogue. The impact assessment would cover the benefits for the solution architecture, reducing delivery risk and investment and cost to serve
Q6.5	Do you think that the REC should have the responsibility of hosting the industry-wide data catalogue?	No unless DNOs have proportionate access to and controls in the REC change process.
Q6.6	Do you think that an industry-wide data catalogue should be developed for REC v2.0 (to enable REC CSS messages to be incorporated from day 1) or should consolidation be undertaken as part of REC v3.0?	The industry-wide data catalogue development should be undertaken as part of a separate code consolidation SCR and be subject to a full impact assessment for both gas and electricity data catalogue infrastructure. See our related response to Q6.4.
Q6.7	Subject to further development, assessment and consultation, would you in principle support aligning the gas and electricity metering codes of practice under common governance?	No MOCOPA should remain as a standalone code of practice and the metering codes of practice should remain in the BSC

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Q6.8	If yes, do you consider that the REC would be a suitable vehicle for such common governance?	No unless DNOs have proportionate access to and controls in the REC change process.
Q6.9	Do you consider that the SMICoP should be incorporated into an industry code, and if so, do you agree that this should be the REC?	No comment.
Chapter 7: The DCC		
Q7.1	Do you agree with the five incentivised milestones identified? Do you think any milestone should be given greater importance and therefore a larger proportion of margin placed at risk?	<p>We agree with the incentivised milestones identified. We believe the DBT readiness should not be underestimated and this milestone should be given a greater proportion of the margin.</p> <p>We raised concerns in our previous response to the June consultation of the poor performance of the DCC in respect of delays, poor communications with the SEC Panel on change management, concerns expressed about the technical capability of the solution being delivered by the DCC and escalating costs in the management and delivery of the Smart Meter Communications programme.</p> <p>We welcome Ofgem's additional wording to the General Objective in the DCC LC15 to ensure that the DCC must set out timely delivery, for the DCC to take into consideration the cost to, and impact on, the end consumer when fulfilling its obligations and to fulfil its obligations in an economic and efficient manner.</p> <p>However, we also raised concerns that Ofgem also consider DCC failure to meet other licence requirements on the Smart Implementation Communications Programme in addition to the CRS as a 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 which has not been addressed.</p>
Q7.2	Do you agree with our proposals for the shape of the margin loss curves? Do you have any suggestions for other margin loss curves which may better incentivise DCC to achieve its milestones in a timely manner while encouraging quality?	We agree with the principle that the DCC should be incentivised to achieve its milestones in a timely manner but also deliver quality and efficient cost delivery. Emphasis on time could drive higher industry costs and spiralling DCC costs.
Q7.3	Do you agree with our proposal for a potential recovery mechanism? Please give reasons. What types of criteria could be considered for demonstrating clear, transparent communication and what portion of lost margin should be available to be recovered?	No. As per our response to the June consultation Ofgem are proposing that the DCC would recover costs associated with the development, documentation and procurement of CRS from DCC Services users through monthly fixed charges using the existing charging methodology set out with SEC for the DBT. This would result in DNOs also being charged which is at odds with proposed cost recovery of the new REC which would be solely placed upon Suppliers. Ofgem are proposing that they would only review the DCC cost recovery for the CSS steady state operations as part of the enduring REC v2.0 currently planned for 2021 and it is for SEC parties to

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		<p>raise a modification to the SEC if they feel the charging methodology is not fair or proportionate. However, the change control process for the SEC is lengthy and individual DNOs do not have individual voting rights on SEC modifications.</p> <p>Consequently, the use of the existing charging methodology is not appropriate and inconsistent with the policy intent and would result in an increase charges to DNOs up to at least 2021 without the ability to vote on a change modification to the charging methodology before then.</p>
Q7.4	<p>Do you agree with our proposals for a discretionary reward where it can be demonstrated that DCC has gone above and beyond established requirements for REL Address matching? Please give reasons.</p>	<p>Discretionary rewards are generally burdensome to operate and many not have the hoped for incentive properties if the DCC is unaware of a clear framework/measures for achieving any reward in advance. We support well targeted, clearly defined and customer aligned incentives that operate as automatically as possible.</p>
<p>Chapter 8: The Way Forward</p>		
Q8.1	<p>Do you agree with the proposed collaborative approach to consultation and modification report production?</p>	<p>Yes we agree the proposed collaborative approach. However, as per our responses to Q4.1 and Q7.3. Depending on the final Ofgem decisions regarding the DNO market role in the REC this should also be duly reflected in the final decision on the RECCo Board, voting and cost recovery for DNOs during the REC v1.0 and 2.0.</p>
Q8.2	<p>Would you in principle support REC v3.0 code consolidation being progressed as a SCR separate to, but run in parallel with, the Switching Programme SCR?</p>	<p>We agree in principle with a separate SCR subject to our responses to Q4.1, Q4.4, Q4.5 and Q5.6 whereby if the scope of the REC is widened under RECV.30 and via a code consolidation SCR then decisions should be made as part of that SCR following due consultation and design and not under this SCR and in earlier versions of the REC v1.0 and 2.0.</p>