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09 September 2019

Dear Rachel

Response to Ofgem's Consultation on the Switching Programme and Retail Code Consolidation

Thank you for the opportunity to comment on Ofgem's consultation on the switching programme and Retail Code Consolidation.

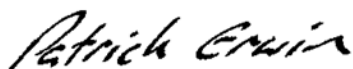
We have previously submitted our responses to questions 1.3, 1.4, 1.5, 4.3, and 4.4 in July as requested. An overview of our position is provided in **Annex 1** with the response to the remaining consultation questions in **Annex 2**.

We fully support the further development of the Retail Energy Code (REC) and we recognise its governance of the operations for faster and more reliable switching is of key importance in delivering an improved customer experience. We also understand and support the wider objectives of creating a code that is more accessible to parties and may form a template for future industry code simplification.

The main point we make regarding this consultation, as set out in our earlier response, is regarding the future governance of the Meter Point Administration Service (MPAS). We firmly believe that, of the existing codes, the Distribution Connection and Use of System Agreement (DCUSA) is the most logical home for MPAS, given it is a core part of distribution network operator (DNO) activities.

If you have any questions about this response we would obviously welcome a discussion with you.

Yours sincerely,

A handwritten signature in black ink that reads "Patrick Erwin".

Patrick Erwin
Policy and Markets Director

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Annex 1 - Consultation on Switching Programme and Retail Code Consolidation

Northern Powergrid's response

Key Points

We fully support the further development of the Retail Energy Code (REC) and recognise its governance of the operations for faster and more reliable switching is of key importance in delivering improved customer outcomes.

Below are the key points from our response:

- We support the REC mission statement including '*... efficient and effective running of the retail energy market, including its systems and processes...*'. We assume that the reference to systems and processes includes the efficient running of a licensed party's systems (i.e. arrangements should be efficient and effective across the board and not solely for the central systems).
- Care should be taken to avoid any risk of perverse incentives on the REC Manager to drive change in a way that could create a disproportionate level of change activity, or the risk of inappropriately balanced change proposals being raised.
- We appreciate the need for speed and agility in the change process and in Change Panel decision making but the REC Manager will need to recognise that such agility must also allow sufficient time and visibility for parties to engage with the change process.
- A full review of SLC 18 in the distribution licence '*Provision of and charges for Metering Point Administration Services*' is necessary in respect of each service component with the potential to remove some or all of the obligations on distribution network operators (DNOs). We highlight that there may still be a requirement for a charging statement so that DNOs can recover the costs of the services we will continue to provide.
- Centralised enquiry services for both suppliers and customers should be put in place and the relevant obligations on DNOs removed.
- We have concerns regarding aspects of 'Section 4.2' of the Address Management Schedule (please see our detailed response to question 3.2 below). In addition, we have no visibility of the potential volumes of Retail Energy Location (REL) address queries that we may be asked to assist with and we would welcome more detail on this in due course.
- Governance of the Meter Point Administration Service (MPAS) should move from the Master Registration Agreement (MRA) to the Distribution Connection and Use of System Agreement (DCUSA) as this is a more appropriate home for this Distribution Network Operator (DNO) provided core service. We think the option to govern MPAS under the DCUSA is the most suitable given the nature of the activity and DCUSA's existing provisions for the lifecycle of an MPAN as highlighted in the consultation.
- The consultation highlights that the closure of the MRA presents the opportunity to review Green Deal governance for operational efficiency and effectiveness. We support this review and this opportunity should be taken to review (and potentially remove) the relevant conditions within the distribution licence.

Annex 2 – Consultation on ‘Switching Programme and Retail Code Consolidation’ – response to individual questions

1. This is Northern Powergrid’s response to the second set of questions in Ofgem’s consultation on the Switching Programme and Retail Code Consolidation due by 9 September 2019. Our responses to questions 1.3, 1.4, 1.5, 4.3, and 4.4 were submitted in July 2019 as requested and are also included here for completeness.

Retail Energy Code (REC) governance

Q1.1: Do you agree that the mission statement and objectives encapsulate the functions of the code, can drive activity of the governance functions assist decision-making on changes to codes?

2. We note that the revised wording sets out the *‘efficient and effective running of the retail energy market, including its systems and processes’*. Although not specifically defined, we assume that the reference to systems and processes and the efficient running of the retail energy market includes the operations of Licensed Parties code parties and Existing Service Providers (i.e. arrangements should be efficient and effective across the board).
3. We are generally supportive of objective c) in paragraph 1.4 *‘to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructure it governs’* – which we consider to be sound. However, the delivery of this objective should not be to the undue detriment of industry parties either individually, by party type, or collectively (i.e. as above the aim should be to deliver efficient and effective outcomes for all those involved).

Q1.2: Do you agree with our proposals on the initial and ongoing appointment of RECCo Board Members?

4. Yes, we agree that the approach is reasonable.

Q1.3 (previously submitted): Do you consider that the methodology as set out is appropriate?

5. We consider the high-level principles and the key ‘Code Manager’ services set out in paragraphs 1.17 and 1.18 are an appropriate basis from which to build a methodology for the different service areas, although we may have identified one potential risk. In existing code governance arrangements, industry parties initiate change. We have concerns that as the REC Manager will be expected to drive change; and may be incentivised to do so, this may lead to a risk of a disproportionate level of change activity or

inappropriately balanced change proposals being raised. Whilst we appreciate that parties will have the ability to reject changes through voting, high levels of change could cause some parties to become disengaged from the process.

Q1.4 (previously submitted): Do you have any comments on the scope of the services?

6. The scope of the services seems reasonable at a headline level although we are unable to comment fully at this stage without the detailed descriptions.

Q1.5 (previously submitted): Do you agree with our outline proposals on the set-up of the REC Manager?

7. Yes, we agree but would welcome more information in due course on the relationship between RECCo Board, the Code Manager and the management of multiple service providers. More clarity would be helpful on how multiple services providers could be managed to discharge different aspects of the REC Manager's role collectively and efficiently with a consistent service across the various functions. This might be an issue that could be addressed in the Consultation on reforming the energy industry codes announced on 22 July 2019.

Q1.6: Do you agree with our proposals on the set-up of the REC Change Panel? Do you foresee any problems with these proposals?

8. Our only observation is regarding the statement at paragraph 1.25 '*the REC Change Panel must be capable of acting quickly and reaching decisions without undue delay*'. Taken in isolation we appreciate the need for the Change Panel to be able to make quick decisions through an appropriate mix of expertise. However, a general focus on speed and agility across the change process needs to also allow sufficient time and visibility for parties to engage effectively with the change process.

Q1.7: Do you agree with our proposals on the set-up of the PAB? Do you foresee any problems with these proposals?

9. Yes we agree with the proposals, and have two observations. Firstly, we agree that the PAB should report to the RECCo Board rather than to the REC Manager as this provides appropriate accountability and creates reporting separation from the REC Manager. Secondly, we note that the proposed focus of the PAB is on the performance of parties and services providers in supporting faster switching. However, we assume that risks to faster switching processes could also come from the performance of the REC

Manger. Assuming such risks could occur we think that consideration should be given to extending the PAB's remit to cover scrutiny of potential risks from the REC Manager's activities.

Q1.8: Do you agree that the inclusion of the principles outlined (as included in the draft change management schedule) should address some or all of the problems associated with these proposals

10. Although we agree the current change process timescales can be overly long there are many factors contributing to this, including the general level of change activity taking place simultaneously. This puts a burden on all those involved, including on Ofgem's own decision making process and we support moves to improved arrangements. In recognising that change processes are not as agile as they could be they have been designed to give parties the opportunity to be involved in the process in order to provide varying insight. We are confident that the REC Manager will recognise the need to ensure appropriate engagement as part of new change management processes.
11. It should be recognised that current code change processes largely rely on individuals from code parties volunteering their time to work on change proposals (often in addition to their 'day jobs') and we believe the creation of a Subject Matter Expert group to support the Code Manger and the change process would be a positive step forward. However, it is clear from existing change processes that the impacts of change proposals can vary from one party to another and therefore an unduly swift change process could create the risk that change proposals are assessed with insufficient input from impacted parties. In addition to improved processes the assessment criteria within the Change Management rules needs careful consideration to ensure that change proposals are stringently assessed, including against each party's input.

Delivery approach

Q2.1: Do you agree with our proposed choreography of the Retail Code Consolidation SCR, Switching Programme SCR and associated licence changes, including our proposals that the Switching Programme changes will be introduced as 'dormant' before being made 'active' following Authority direction?

12. Yes, we agree that the proposed sequence is a prudent approach.

Q2.2: Do you agree with the approach we have described for managing the delivery of the Switching Programme SCR and the Retail Code Consolidation SCR?

13. Yes we agree and we note Ofgem's intention to issue a further consultation in autumn 2019 along with the planned SCR launch. We welcome the proposed inclusion of a complete set of code drafting for Switching Programme SCR consequential changes and outline criteria for assessing change proposals.

Q2.3: Do you have any views on the draft consequential changes to industry codes and work plans described in Appendix 5 that would help deliver the Switching Programme and Retail Code Consolidation SCRs?

14. We have not identified any concerns with the draft consequential changes to codes or the work plans.

Operational arrangements

Q3.1: 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.

15. Yes, we agree.

Q3.2: 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.

16. Yes, we agree it meets the design principles, although we have a specific concerns regarding section 4.2 of this schedule.
17. We have concerns regarding 'Section 4.2' of the Address Management Schedule, "*Each Distribution Network Operator shall ensure the accuracy of the MPL Addresses recorded for its Metering Points in its Meter Point Administration Service, and shall co-operate with any investigation by the CSS Provider into the accuracy of the corresponding REL Addresses*". Our first concern is, as expressed previously, that the Central Switching Service (CSS) must be aware that the address held by the DNO reflects a physical connection to the network (i.e. the metering point on the connection at the exit/entry point, rather than a postal/Retail Energy Location (REL) address and the two may not fully correspond). The REL will be assigned by the Address Provider. We will continue to maintain our Meter Point Location (MPL) address, but it may not have triangulation to the REL address.
18. Our second concern regarding Section 4.2 is the potential effect on workload from the obligation to '*co-operate with **any** investigation by the CSS Provider*'. Obviously, we have no visibility at this stage of the forecast volumes of investigations we may need to facilitate and therefore the impact on our resources in the context of our existing obligations. Consequently, we suggest a reasonableness caveat should be included within this obligation in respect of investigation volumes. We believe the current drafting i.e.

"any investigation" to be too wide and that it should be qualified by a reasonableness test. It would be helpful for Ofgem to consult on the nature of that test in due course, perhaps in the planned autumn consultation.

Q3.3: 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.

19. Yes, we agree.

Q3.4: Do you agree that the draft Service Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

20. Yes, we agree.

Q3.5: 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.

21. Yes we agree. We would highlight, however, that in the current Master Registration Agreement (MRA) re-qualification arrangements St Clements Services (MPAS/MPRS Service Providers) provide central MPAS change documentation and the DNOs provide a declaration to confirm they have implemented/will implement the MPRS release by a given date. Adopting this process in the REC would provide efficiencies for the REC Code Manager and the DNO parties.

Q3.6: Do you agree that the draft Resolution of Consumer Facing Switching and Billing Problems Schedule meets the Regulatory Design Principles? If not, please explain how the Schedule could be improved?

22. Yes, we agree.

Q3.7: Do you agree that we have adequately captured the requirements of the ETCC within the draft Resolution of Consumer Facing Switching and Billing Problems Schedule, taking account of the existence of Guaranteed Standards of Performance that cover engagement with the consumer and resolution of erroneous transfers?

23. We have no comments to make in respect of this question as Suppliers are best placed to respond.

Q3.8: Do you believe there is merit in extending obligations relating to the resolution of Erroneous Switches, Crossed Meters, Switch Meter Read Problems and Duplicate Meter Points to micro-business

consumers or should these requirements more generally apply to all Non-Domestic Energy Suppliers? For Switch Meter Read Problems, should the scope be extended to cover domestic and micro-business consumers who are settled on a Half-Hourly basis?

24. We have no comments to make in respect of this question as Suppliers are best placed to respond.

Q3.9: Do you agree with our proposal to introduce a harmonise procedure for escalating delayed and disputed problem resolutions for all problem areas covered by the draft Resolution of Consumer Facing Switching and Billing Problems Schedule? If not, please explain how the approach for escalations could be improved.

25. We have no comments to make in respect of this question as Suppliers are best placed to respond.

Q3.10: Do you agree that the draft Prepayment Arrangements Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

26. We have no comments to make in respect of this question as Suppliers best placed to respond.

Q3.11: Do you agree that the draft Related Metering Point Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

27. Yes, we agree.

Q3.12: Do you agree that the draft Data Access Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

28. Yes, we agree.

Q3.13: What changes would you make to best align the draft Data Access Schedule to the Energy Data Task Force recommendations?

29. It appears that the Data Access Schedule has been developed with the Energy Data Task Force recommendations in mind. It is unclear, however, whether “a unified Digital System Map of the Energy System should be established to increase visibility of the Energy System infrastructure and assets, enable optimisation of investment and inform the creation of new markets” (recommendation 5 of the task force) has been considered for the Data Access Schedule although the matters considered by the task force are obviously a much wider issue than the Switching Programme alone.

Q3.14: Do you agree that obligations should be placed on networks and suppliers to ensure that RECCo procures gas and electricity enquiry services and that obligations in the Gas Transporter and Distribution Licences can be removed?

30. No, we do not agree that obligations should be placed on networks to ensure that RECCo procures enquiry services as it is unnecessary. We note in paragraph 1.30 of the consultation the proposal to include obligations in Supply licences for the REC to provide for the PAB and this route can also be used to ensure that the RECCo procures gas and electricity enquiry services. We suggest that the necessary obligations are placed on suppliers only, as this would be simpler and consistent.

Q3.15: Do you agree that the RECCo should be able to appoint either the Code Manager, Enquiry Service operator or a third party to act as the Enquiry Service Administrator for the purpose of monitoring compliance and managing Data Access Agreements?

31. Yes, we agree.

Q3.16: 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.

32. Yes, we agree.

Q3.17: Are there any other areas that you think should be covered in the REC to support the Switching Programme, other than those that will be included in the Technical Specification?

33. No, we have not identified any other areas that we think should be covered in the Technical Specification. We would highlight that, as the DNOs will be involved in the production of the Service Definition document for the Electricity Retail Data Service, there will be further opportunities for us to provide detailed input at that stage.

Q3.18: Do you have any additional comments on the drafting of any of the schedules, in particular in relation to whether they effectively achieve the outcomes described here and articulated in Design Baseline 4 or other programme documents?

34. No, we do not have any additional comments to add other than those highlighted in our answer to question 3.2 on REL address investigation volumes.

Retail code consolidation

Q4.1: Do you agree that Ofgem should lead an end-to-end process to develop the code modifications to deliver retail code consolidation?

35. Yes, we agree that this would be a prudent approach.

Q4.2: Do you agree with the proposed scope of the Retail Code Consolidation SCR? Do you think any additional areas should be in scope?

36. Yes, we agree with the proposed scope of the Retail Code Consolidation SCR and we have not identified any other topic areas that need to be added to the scope at this stage.

Q4.3 (previously submitted): Which option outlines above do you think is best suited to govern MPAS once the MRA has closed, and why?

37. We think the option to govern MPAS under the DCUSA is the most suitable, given its existing provisions for the lifecycle of an MPAN as highlighted in the consultation.

38. As the provision of MPAS is a core part of a DNO's business in respect of connection and distributor services it is logical to place the provisions clearly within the remit of DCUSA. In this way, the obligations and processes relating to the DNOs' roles in managing MPANs are grouped together.

39. While distribution licences facilitated the creation of DCUSA and ensure that DNOs continue to support it, the DCUSA Board and Panel has supplier-appointed members. This means that the established governance and control of this code includes wider interests than solely DNOs.

40. We see no fundamental issues with reviewing DCUSA in respect of cross-code coordination.

Q4.4 (previously submitted): Do you have any concerns about the suitability of any of the options for future governance of MPAS?

41. Option 4 to separate governance by function is likely to create disjointed arrangements, some stakeholders may find the separation confusing and it could create difficulties for code managers and parties in terms of facilitating any change proposals across the various governance codes and inputting in to multiple change processes. This option does not appear to fit with the direction of travel for code simplification.

42. We do not think the Balancing and Settlements Code (BSC) is a logical home for the MPAS as its focus is on the accuracy of settlements and associated innovation rather than provision of DNO services.

43. We do not think the REC is a logical home for MPAS as this supplier funded code should be allowed to focus on improving customer experience from faster switching. REC governance will face enough challenges during its development without adding the responsibilities for MPAS.

Q4.5: Do you agree that the GDAA and Green Deal related provisions in the MRA should transfer to the REC?

44. Yes, we agree that this is logical.

Q4.6: Do you think GDAA parties should accede to the REC, or be engaged in governance through some other means?

45. We have no comments to make in respect of this question.

Q4.7: Do you agree that the requirements currently held in SPAA Schedule 22 and the RGMA Baseline related to gas meter agent appointments and MDD should be mandatory for domestic and non-domestic suppliers? If not, why not?

46. We have no comments to make in respect of this question.

Q4.8: Do you agree with our preferred option for governance of agent appointments and MDD, outlined as option 3 above?

47. We have no comments to make in respect of this question.

Q4.9: Do you support our proposal for consolidating the metering CoPs into the REC?

48. We have no comments to make in respect of this question.

Q4.10: Do you think MEMs should be parties to the REC?

49. We have no comments to make in respect of this question.

Q4.11: Do you think changes to the metering Schedule(s) of the REC should be progressed through the Change Panel only, or should there be an additional MEM Panel?

50. We have no comments to make in respect of this question.

Q4.12: Which of the requirements within SMICoP, if any, should extend beyond the initial installation of the smart metering system?

51. We have no comments to make in respect of this question.

Q4.13: Which of the requirements within SMICoP, if any, should apply to installation of non-smart metering systems and other site visits required to carry out metering related work?

52. We have no comments to make in respect of this question.

Q4.15: What are your views on our proposals for the governance and assurance of the SMICoP provisions once migrated to the REC?

53. We have no comments to make in respect of this question.

Q4.16: Do you agree with our proposal for incorporating PSR provisions in the REC?

Yes, we agree with the proposals for incorporating Priority Services Register (PSR) provisions in the REC. However, this view is based on the following assumptions:

- The MRA will cease to exist and the provisions included in the REC will be the same as those currently in the MRA; and
- Standard licence condition 10 in the distribution licence remains the same.

Licence Condition changes

Q5.1: Do you agree that Appendix 4 accurately describes all of the changes that should be made to licences to support the effective operation of the new switching arrangements?

54. Yes, we agree. However, we note that paragraph 4.42 of the consultation highlights that the closure of the MRA presents the opportunity to review Green Deal governance and ensure the arrangements are operated in the most efficient and effective ways. We support this view and believe that this opportunity should be taken, including a review of relevant conditions regarding the Green Deal contained in the standard conditions of the Electricity distribution Licence, as all of these conditions could be removed from distribution licences.

Q5.2: Do you agree that Appendix 4 accurately describes all of the changes that should be made to licences to support Retail Code Consolidation?

55. Yes, we agree, subject to Ofgem's consideration of our answer to question 5.1.

Q5.3: Are there any changes to licences that, if not made prior to the switching arrangements going live, would inhibit the delivery of the Switching Programme?

56. No, none that we have identified.

Q5.4: Do you think that we should remove licence obligations on GTs described in SLC 31 and DNOs in SLC 18 to provide one or more of the following services:

57. Our over-arching answer to question 5.4 is that a full review of SLC 18 'Provision of and charges for Metering Point Administration Services' is necessary in respect of each component at an appropriate point in the programme (i.e. when there is clarity on how individual services are to be provided under the new arrangements). We expect that there will still be a requirement for a charging statement so that DNOs can recover the costs of the services we will continue to provide.
58. Removing SLC18 from the DNO's licence (or removing the majority of its components) and placing the remaining obligations on the DNOs via the DCUSA or the REC as appropriate (i.e. excluding the enquiry service (see below)) would be consistent with rationalising the overall approach. We agree with Ofgem that, in doing so, these obligations would have to be adequately covered in industry codes and to achieve this the relevant obligations should be replicated with the minimum amount of change and certainly not be any more onerous than they currently are.

Enquiry services;

- Regarding the Enquiry Service for suppliers, yes, Ofgem should remove obligations SLC18 A4 (a) (b) and (c) from the distribution licence. Firstly, the Market Intelligence System will provide a central enquiry service in respect of both gas and electricity customers. Secondly, it is logical to remove the obligation on DNOs to provide the enquiry service and move it to RECCo. This would be consistent with the goal of rationalising the switching process and be beneficial to suppliers in that the enquiry services would then be provided via a dual fuel "one-stop-shop" on a national basis.

Maintenance of a register of data associated with a metering point/supply point; and

- Obligations on DNOs regarding metering point data need to be either retained in the licence or moved into the DCUSA. Consequently, it would be logical for DNOs to be required to maintain the register as part of their core service (i.e. CSS will master the change of supplier process but MPAS will still master registration changes).

Customer enquiry service

- We are aware that MRASCo is having discussions with Xoserve regarding the development of a new centralised customer enquiry service and also a telephony service. We strongly support the creation of a centralised customer enquiry service, as it will be beneficial to customers to have a dual fuel, “one-stop-shop” service on a national basis. Consequently, if the new service is developed, the obligation in SLC 18 A5 (a) of the distribution licence should be removed. The associated obligation to secure adequate publicity under SLC18 A5 (b) should also be removed from the distribution licence and given to RECCo.