

Rachel Clark
 Programme Director

By email to: switchingprogramme@ofgem.gov.uk

Due: 29th September 2017

Dear Rachel,

Re: UK Link and the proposed Central Switching Service

Thank you for providing the opportunity to comment on the proposals. We have set out our responses to the specific questions you set out in your consultation in the annexe to this letter.

In responding to the consultation we would like to make a number of general comments and observations. To put these in context we believe it is important to set out the fundamental difference between the non-domestic and domestic markets: -

Key Differences between Domestic & Non Domestic Markets

Non Domestic	Domestic
Competitive market (Liquid)	Dominated by Incumbents (Big 6)
Only 40% of SME sites are dual fuel	Majority of customers have Gas & Power
Single Fuel centric	Dual Fuel centric
No Cooling off period	Cooling off period
Advanced rollout ongoing	Smart Metering rollout commencing
Competitive AMR Data Service provision	Monopoly DCC Data Services
Contract prices (fixed term contracts)	Tariff prices (able to switch on 30 day notice)
Nomination / Confirmation	Confirmation only

On the basis of these fundamental differences we believe that a single market wide solution would not give the best possible outcome. We believe that the key issues driving a more radical reform relate primarily or solely to the domestic market and indeed the language in the previous consultation was domestic focused e.g. reference to Tariffs, Dual Fuel and Cooling off etc.

Dual Fuel

We believe concerns over the ability to orchestrate dual fuel switching relate primarily to the domestic market. Even in the non-domestic Small & Medium Enterprise (SME) sector which is more in common with the domestic market only the minority (40%) of sites have both Gas and Power present. This was highlighted in the development of the Smart Metering program and led to the flexibility to install either Smart or Advanced metering on smaller non domestic sites. In reality dual fuel switching is not a material function of the non-domestic market.

Cooling off

We would note that no obligations exist in the non-domestic market in relation to the cooling off window. So again cooling off is not a function of the non-domestic market.

Our Recommendation

We continue to believe the use of the **Central Switching Service (CSS) should be targeted on the domestic market** to address the specific concerns raised. This avoids the need for mandating CSS in circumstances where it does not provide any material benefit and this approach is consistent with the approach and flexibility associated with the rollout of Smart and advanced metering and the requirements to use the DCC services.

However in the event that non-domestic market does fall within scope of the CSS then **we would support basing the CSS on the new UKLink system** and therefore believe that any barriers affecting their ability to do so should be removed.

Should you have any questions relating to the information provided in our response, please do not hesitate to me contact using the contact details below.

Yours faithfully,

Steve Mulinganie

Regulation Manager

For and on behalf of **Gazprom Energy**

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Annexe 1 – Gazprom Energy response to questions

3. UK Link considerations

Question 1: Do you agree with the benefits outlined in 3.7 a-c below. If so, how significant do you consider these benefits could be for the purposes of implementing more reliable, faster switching?

We Agree. Having just implemented a new £100m system it seems logical to leverage the inherent capabilities in the platform. The new platform has been implemented successfully and provides a scalable solution.

Question 2: Are there other benefits that we have not identified?

We would highlight the inherent risk mitigation in utilising a known incumbent platform. It would also seem more likely that an “on time and in budget” delivery is achievable when not having to start from scratch.

Question 3: Do you see any particular risks or disadvantages? If so, please outline them.

We do not see any particular risks or disadvantages. We believe the utilisation of the existing platform based on the lessons learnt from NEXUS should enable the most risk adverse delivery model. To do so we must ensure we start with a program approach and strategy based on these strategic learnings from the NEXUS programme.

4. Xoserve governance arrangements and implications

Question 4: Under the current Xoserve CDSP governance do you believe there are any substantive obstacles to Xoserve’s ability to participate in a competition? If so how could these obstacles be overcome?

We believe that given the significant benefits associated with the proposal any obstacles should be removed to enable the best outcome for consumers. This will also, if relevant, need to include ensuring that the relevant CDSP and broader industry governance structures are optimised to support an efficient and timely implementation.