

Rachel Clark
Programme Director Switching Programme
Ofgem
9 Millbank
London
SW1P 3GE

30 September 2017

Dear Rachel,

Consultation on UK Link and proposed Central Switching Service

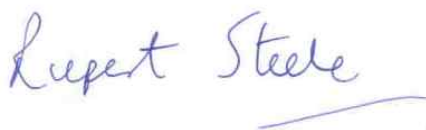
Thank you for your letter of 27 July seeking stakeholder views on whether Xoserve's current governance arrangements could prevent them from competing in a competitive procurement for the Central Switching Service (CSS) provision.

Our answers to Questions 1 to 4 are set out in Annex 1. In our view, Xoserve should be able to compete in the procurement for the CSS, and we believe the current governance framework arrangements via the DSC Contract Management Committee would facilitate this process. Ultimately it will be Xoserve's Board who will determine if there is sufficient support from DSC signatories for the company to participate in the procurement exercise. In gauging support from DSC Parties, we would expect the Board to consider and agree the funding required to submit a bid, as well as the split of the funding between the parties. We are supportive of Xoserve being given the opportunity to bid for work under the CSS, but we would be looking for assurances that this would not impact business as usual activity or performance levels.

There may also be an alternative option to be considered. UK Link is an Industry owned system with Xoserve acting as the service provider. If the system and the service provider could be separated, there may be an opportunity to increase competition in the tender process. This might be achieved by utilising the existing system, and allowing different parties, including Xoserve, the opportunity to bid for further development of UK Link (to include electricity meter points) and for the role of service provider for the CSS.

I trust this is helpful, but please feel free to contact me or Colin Blair (0141 614 8468) if you have any further queries.

Yours sincerely,



Rupert Steele
Director of Regulation

**CONSULTATION ON UK LINK AND THE PROPOSED CENTRAL SWITCHING SERVICE
SCOTTISHPOWER RESPONSE**

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

Solution Architecture & Reducing Delivery Risk

The integration with the new Central Switching Service (CSS) will require new interactions, regardless of whether UK Link is the preferred platform, to enable Dual Fuel switching requests. We expect that these undertakings would require XML /web service calls, which would not be via the IX gateway, so there would be a requirement for integration testing for this functionality.

We agree that integration of the CSS and industry central systems would be de-risked by using UK Link as the platform for the CSS. Using an existing system rather than a new one is a potential benefit; however, any platform for the CSS would require significant testing to be undertaken to prove that it functions correctly.

The migration of only electricity-related data would reduce risk to the data migration activity, as well as allowing Xoserve to use some of the data cleansing capabilities developed under the Project Nexus programme. The data migration exercise for the new UK Link system was achieved with zero defects outstanding, which represents a significant achievement. It is important to note, however, that discrepancies between gas and electricity data for a given premises (for example, around the detail of the address) would still require action to resolve, even if the gas data does not require migration.

Investment and Cost to Serve

We agree that the re-use of existing functionality, leveraging the cost of existing UK Link service management, could reduce capital investment. We accept that UK Link has recently undergone a significant upgrade and part of the investment for that upgrade was in relation to the switching process, although further development will be required on UK Link to enable Faster Switching functionality to be implemented.

We are keen to understand how much Xoserve anticipates this reduction in investment would amount to.

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

The use of SAP and AMT Marketflow within UK Link is a benefit, given that both systems are used extensively across the energy market. However, other parties wishing to enter the procurement process may also bring this benefit.

It is also positive that UK Link has existing capability to store and process electricity data, that is not currently utilised. However we do not believe that these benefits are of sufficient value to warrant bypassing a competitive procurement process.

An existing testing environment, which a significant number of parties have already connected with and utilised, represents a benefit of UK Link compared to an unknown and untried system. In addition, there were a number of lessons from the testing phase of Project Nexus that could be used to improve the testing process further.

Xoserve has recently partnered with PWC, which we recognise as a real benefit to the Programme Management function that would need to be in place to deliver a project of this size. PWC provided a stringent governance framework for Project Nexus, which enabled multiple workstreams to be successfully delivered, and which could potentially be replicated for Faster Switching.

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

Retrospective Adjustments was de-scoped from the initial Project Nexus implementation on 1 June 2017. There is still an obligation on Xoserve to deliver this functionality, which has had funding already provided as part of the Project Nexus Programme. This functionality is the most complex process to deliver, and will require significant subject matter expertise from Xoserve. The impact of having this deliverable running in parallel with the development of a CSS would pose significant risk to resource availability. This was a prominent issue during the development of Project Nexus, where the same resource was commonly required across multiple processes and/or workstreams.

At the industry engagement day on 4 September 2017, Xoserve highlighted that its intention for implementation of Faster Switching would be to support a switching process based on a file transfer-based solution that allowed for a 3-5 day switch upon go-live, with the real-time interfaces 'turned on' after a period of stabilisation. The reason for this position is in relation to the gas balancing process, which needs to be addressed before a next-day switch can be achieved. This would not enable the objective of RP2a to be attained, which aims for a next-day switch for those who wish to do so, followed by a transition for those who do not.

Whilst the implementation of Project Nexus was successful, those areas where issues were identified were poorly managed, with significant backlogs quickly arising and a lack of communication to the market on actions taking place. There are lessons from that experience that would need to be learnt to ensure that, if problems are found in the switching process, there is minimal consumer impact.

Xoserve currently does not hold any subject matter expertise with electricity processes, which can differ greatly from those of gas. There is a requirement for this capability gap to be quickly addressed so that Xoserve could deliver a harmonised Dual Fuel service.

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 do not believe the obstacles to Xoserve's participation are insurmountable.

Ultimately it will be Xoserve's stakeholders (shippers/transporters) that decide if they wish Xoserve to participate in the procurement exercise. This will be based on the cost and value for money of the bid process.

Once stakeholders are comfortable that the bid process is viable, there will need to be commitment and agreement by all parties on the level of funding and the split of costs

between stakeholders. It may be possible to reach agreement under the existing governance framework of the DSC Contract Management Committee.

Given the difficulties with the implementation of Project Nexus, it is imperative that Xoserve is confident that it is capable of taking on the role of managing the CSS before committing itself to the procurement process.

UK Link is an industry owned system run by Xoserve. There may be an opportunity to increase competition in the tender process if UK Link (the system) could be separated from Xoserve (the service provider). This might be achieved by utilising the existing system, and allowing different parties, including Xoserve, the opportunity to bid for further development of UK Link (to include electricity meter points) and for the role of service provider for the CSS.

ScottishPower
30 September 2017