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Dear Rachel

Delivering Faster and More Reliable Switching: proposed new switching arrangements consultation

Thank you for the opportunity to comment on Ofgem's consultation on Delivering Faster and More Reliable Switching: proposed new switching arrangements.

As a licensed Distribution Network Operator (DNO) we currently play an important role in facilitating the operation of a competitive market through the provision of Metering Point Registration Services (MPRS). We support the aim of delivering next day switching for GB customers even though our role diminishes going forward as other parties pick up our existing responsibilities.

We agree with the creation of a new Retail Energy Code (REC), owned and managed by gas and electricity suppliers, as the responsible licensees for switching. But given that we will remain as a facilitator for the provision of next day switching functionality we expect to see a licence requirement to be party to and comply with the new REC. However, we don't see there is any benefit in being a funding party for the new REC given our limited role of data repository manager. It seems simpler, reduces the administrative burden and is more cost effective for GB customers if the gas and electricity supplier parties collectively fund the new REC.

At the moment it is unclear to us how the industry will manage the transition to the new REC and the dissolution and/ or amalgamation of existing codes over time and we seek greater clarity from the Ofgem programme team on how this will be managed. This is an area where Ofgem should lead the industry using its Significant Code Review (SCR) powers shaping the number and scope of the codes alongside the creation of the new REC.

Please find in Appendix 1 below our detailed responses to the questions raised in the main proposals and Impact Assessment consultation documents.

I hope these comments are helpful. Please do not hesitate to contact me if you want to follow up on any particular point.

Yours sincerely

Simon Brooke
Regulation Manager

Appendix 1: Detailed responses to your consultation questions

Delivering Faster and More Reliable Switching: proposed new switching arrangements

Chapter Two

- 1. Do you agree with our assessment that RP2a provides the best value option to reform the switching arrangements for consumers, and with the supporting analysis presented in this consultation and the accompanying IA? If not, please provide evidence.**

As referenced under paragraph 3.116 of the Impact Assessment Form (IAF), we provided a response to Ofgem's January Request For Information (RFI) on the cost and benefit of reform packages RP1, RP2 and RP3, however, the paragraph incorrectly suggests we and other DNOs were also asked to provide information on RP2a. As you are aware, following the January RFI, Ofgem developed a new reform package RP2a. As referenced under paragraph 3.9 of the IAF only suppliers and the Data Communications Company (DCC) were asked to test Ofgem's assumptions on the costs for RP2a in a July RFI. Consequently, we are only able to provide a view on Ofgem's assessment of net incremental costs incurred by DNOs for RP2a as set out in the IAF and as such we have no valid evidence to dispute the figures provided by Ofgem. We note Ofgem's assessment of costs under Tables 3.11 and 3.20 show no increase in costs to DNOs directly and no discernible costs to DNOs indirectly (via DCC and ECOES costs) in moving from RP2 to RP2a, as such RP2a appears to be the most sensible option.

Chapter Three

- 2. Do you agree that CSS should include an annulment feature which losing suppliers can use to prevent erroneous switches? Please provide evidence alongside your response. If you are a supplier, please support your answer with an estimate of the number of occasions over the past 12 months when you might have used such a feature had it been available.**

We recognise that this is primarily a supplier issue, but as an industry participant we welcome features that minimise erroneous switches as these damage customers' experience and confidence of the switching process. So we support an approach that reduces the potential for erroneous switches and see no objection to the use of an annulment feature where the appropriate assurance, monitoring and reporting mechanisms are in place to ensure this feature is not abused.

- 3. Do you agree that CSS should always invite the losing supplier to raise an objection, even where the Change of Occupancy (CoO) indicator had been set by the gaining supplier? If you are a supplier, please support your answer with evidence of the number of times in the past 12 months that you have raised an objection where the Change of Tenancy (CoT) flag had been set.**

Again this is primarily a supplier issue. We have no objection to allowing the losing supplier to raise an objection as long as there are the appropriate assurance, monitoring and reporting mechanisms in place to ensure this feature is not abused.

- 4. Do you agree that use of the annulment and CoO features should be backed by a strong performance assurance regime? Please comment on ways in which such a regime could be made most effective, and back up your response with evidence.**

Yes, as stated above these features must only be included where there are the appropriate measures to ensure that these features are not abused by a supplier. If the potential for an erroneous switch is kept to a minimum then the suppliers' administrative costs to serve will decline over time, benefitting all customers.

Chapter Four

5. Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?

As stated in our response to Ofgem's 'Consultation on UK Link and the proposed Central Switching Service' in principle we agree there could be advantages from allowing Xoserve to participate in a competitive procurement process for the new CSS led by the DCC. We recognise that enabling more tenderers to participate would increase competition and ultimately drive cost reductions to customers.

However, since we submitted our response we note ElectraLink has published a 'White Paper - Delivering Faster Switching using the Data Transfer Network' in which ElectraLink states it does not believe that there is any business case for the DCC to procure another UK energy market communications network support. The paper stated that the communications requirements can be delivered at low risk and cost effectively by the Data Transfer Network (DTN) for a one-off cost of less than £500k and an ongoing cost of £12k per annum. We note under paragraph 4.3 Ofgem's commissioned Mason Advisory report did not rule out the use of the DTN or other networks as it could not make definitive recommendations as the full design specification was not yet known.

As per our response to the UK Link consultation we encourage Ofgem to undertake a full impact assessment for both gas and electricity registrations and associated communications infrastructure before we are able to agree or not whether the DCC should be required to competitively procure the communications network capability required to deliver the new switching arrangements.

However, the use of DTN would have the advantage or not requiring any changes to regulatory or governance regimes and it is due to be competitively re-procured in 2018 with service implementation/transfer completed by 2020. In addition it appears to be the least cost option and it has proven to be fully operational and very reliable over a lengthy period of time.

Chapter Five

6. Do you agree with our proposal to have a three-month transition window (aiming to protect reliability) during which time suppliers have to meet additional requirements if switching in less than five working days? Please support your answer with evidence.

Yes, a transition window would be a sensible approach subject to good process engineering and all functionality being available at go-live. We would recommend a maximum transition window of three months based on previous experience with the transition for registration of smart meters.

7. Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within five working days of the contract being entered into (subject to appropriate exceptions)? Please support your answer with evidence.

Again this is primarily a supplier issue. But it is appropriate to set a default time limit for the maximum time to switch initially so that customers all receive a considerably better performance standard than is currently available. Ofgem should consider developing a reporting process to oversee the performance of suppliers in this interim period so that customers' willingness to participate in the switching process is at least maintained if not improved.

Chapter Eight

8. Do you agree with our proposal to create a dual fuel REC to govern the new switching processes and related energy retail arrangements?

We agree with the proposal to create a dual fuel REC to govern the new switching process and related energy retail arrangements and we welcome Ofgem's conclusion that gas and electricity suppliers should own and maintain the REC. Further clarity is sought from the Faster Switching programme on which licence and code obligations (including data ownership) would remain with each party type and which would transfer to other party types (see our more detailed response to Question 9).

9. Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the Switching Programme?

We agree with the proposed initial scope and lead ownership of the REC to be placed on all gas and electricity suppliers and given this approach it is not appropriate to introduce a new obligation on DNOs to share ownership.

We note that Ofgem is proposing not to preclude the possibility of including some or all of the areas not directly related to switching (including the rights and responsibilities of energy suppliers and other market participants) in the REC at some point in the future; we support this approach (see proposed full scope of the REC under Figure 7). For this reason we believe that DNOs should not have a role in funding the RECCo. We also note that DNOs will still be required to fund MRASCo for residual elements of MPRS and MRASCo.

10. Do you agree with our proposal to modify the DCC's licence, in order to extend its obligation to include the management and support of the DBT and initial live operation of the CSS?

Yes in principle we agree that the DCC obligations should be extended to include the management and support of the DBT and initial live operation of the CSS. We also recommend that if DCC procure the communications network capability then the DCC have additional obligations to ensure the effective management of the successful tenderer.

11. Do you agree that there should be regulatory underpinning for the transitional requirements and that this should be contained in the REC?

Yes, we agree that Ofgem should regulate the transitional requirements and that this should be hosted in the REC. Based on previous experience with the transition arrangements for smart meters, we recommend the length of regulation should not be underestimated.

12. Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised SCR scope?

Yes we agree it seems appropriate that there should be an Ofgem-led SCR process in accordance with a revised SCR scope.

13. Do you have any comments on the indicative timetable for the development of the new governance framework?

The indicative timetable might be leaning toward an optimistic view based on previous experience with the introduction and continued development on the smart meter roll out. IN addition, we note that Ofgem is currently managing with two other SCRs, on half hourly settlement reform and the targeted charging review.

Impact Assessment consultation

Chapter Three

1. **Do you agree that our assessment of industry and public sector costs, including our approach to managing uncertainty, provides a sound basis for making a decision on a preferred reform package?**

The process followed by Ofgem in the creation of the Target Operating Model and the development of the number of potential reform packages and their associated business cases compared with the counterfactual is a sound basis for deciding a reform package. See also our response to Question 1 of the main consultation above.

2. **Do you agree that we have selected the appropriate policy option around objections, cooling off, meter agent appointment and MCP ID for each reform package?**

We have no additional comments to those already provided in the main consultation response above.

Chapter Four

3. **Do you agree that our assessment of the direct benefits of the reforms, including the various assumptions that we have adopted, provides a sound basis for making a decision on a preferred reform package?**

We agree the process followed by Ofgem is a sound basis for deciding a reform package and we have no evidence to dispute the validity of the assumption made.

Chapter Five

4. **Do you agree that our illustrative analysis of the indirect benefits provides a reasonable assessment of the potential scale of the savings that could be made by consumers through increased engagement in the market?**

We agree the process followed by Ofgem is a sound basis for deciding a reform package and we have no evidence to dispute the validity of the assumption made.

Chapter Six

5. **Do you agree with our assessment of the wider benefits of our reform proposals?**

We wish to make the following comments on various sections contained within the reform proposals:

Meter Technical Details (MTD): We are surprised that it is being proposed that MPRS would be the master repository for MTDs and that they would be validated within MPRS. Currently details such as the Meter Serial Number, Date of Installation etc are maintained by the supplier appointed Meter Operators and loaded into ECOES; this is an effective and reliable process and the arguments for utilising MPRS are not convincing. We recommend that the host system for metering data remains ECOES and is not changed to MPRS. It is sensible and more cost effective for DCC to operate the host system for smart metering data and ECOES to act as the host system for non smart metering data.

Ownership of the MPAN and Address: We and other DNO licensees currently own the MPAN and address data as per the MRA, which is mastered in MPRS. We would not agree with any changes to our systems without prior validation and approval as this would impact other non-switching areas as these could have repercussions for onsite safety at customers' premises.

Data reliability: We wish to seek further clarity on how the various industry parties resolve the issues associated with 'cross meters' and 'plot addresses' as we disagree that procurement of the GB Address database will be the silver bullet to resolve these and other address quality issues. We recognise that having a master GB address database procured by CSS would be a master record for all address data but this breaks the current address data ownership model and raises questions on who has responsibility for the data cleanse exercise initially and ongoing. In addition, we would like to have a clearer indication of the flows in the CSS solution architecture diagram in Figure 6; at present this diagram would suggest that the CSS will carry out the address data quality updates and send updated information to ECOES & DES but there is no reference to updating MPRS & UK Link. This means MPRS and UK Link would be required to also send updates to ECOES & DES which could overwrite or wipe data from the centralised service. We do not believe this is a workable solution nor would it meet the aims of the reform package.

Chapter Seven

6. Do you agree that our assessment of the net impacts for consumers provides a sound basis for making a decision on a preferred reform package?

We agree the process followed by Ofgem is a sound basis for deciding a reform package and we have no evidence to dispute the validity of the assumption made.