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Dear Rachel,

I am writing on behalf of ESP Utilities Group (“ESPUG”) (comprising the licenced companies ES Pipelines Ltd, ESP Connections Ltd, ESP Networks Ltd, ESP Pipelines Ltd and ESP Electricity Ltd) in response to Ofgem’s “Delivering Faster and More Reliable Switching: proposed new switching arrangements” consultation paper, dated 21 September 2017.

In summary, ESPUG supports Ofgem’s preferred reform package and the proposed next steps, based on the analysis presented in the consultation document. Improving switching arrangements through RP2a is a logical step towards supporting future market and product innovation, and improving customer experience. We also support Ofgem’s proposal to develop a new Retail Energy Code (“REC”). The regulatory framework must be modernised to remove any barriers to innovation and new business models in the energy sector, and promote a level playing field.

The addition of the Central Switching Service (“CSS”), REC, and potentially the REC Company into the energy market matrix, will add another level of complexity in relationships between parties and codes. Ofgem must be mindful of the direct, and indirect, cost implications for smaller participants. We encourage Ofgem to consider how it will engage parties efficiently in each phase of the programme, and how it can establish the programme and ongoing governance arrangements in a way that makes the most efficient use of industry resources.

We also encourage Ofgem to carefully consider the timing of its consultations; particularly during the Detailed Level Specification phase. At the time of writing this response, the ‘Switching Programme – Operational Choreography’ document was published, with comments due 23 November 2017. We are concerned that there are processes detailed in this document that have not previously been socialised with all impacted and interested parties, and the timeframe to review this document is extremely short. Inefficiencies and errors in the processes proposed may have a detrimental impact on industry, and more importantly, customer experience. We understand the need to maintain momentum, and there will, no doubt, be unforeseen technical issues, which can be resolved once the CSS goes live. However, this can, and should, be minimised through meaningful engagement with all stakeholders throughout the Detailed Level Specification phase. To support this,

Ofgem may wish to consider revising its consultation timeframes, and publish a consultation calendar for the Faster Switching programme.

Please see the attached appendix which outlines our views on the questions posed in your consultation document.

Yours sincerely

Victoria Parker
ESP Utilities Group

Appendix: Answers to Ofgem's Consultation Questions

Question 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?

Yes. Whilst we support the initiative to move to same day switching, we agree with Ofgem's decision to develop RP2a based on feedback from industry. The reliability risks must be addressed before the shift to same day switching occurs, as erroneous transfers cause considerable stress for customers.

We do believe the benefits may be overstated. The increased consumer engagement scenario will rely on raising awareness of next day switching to consumers, marketing, and suppliers offering new products. Further to this, it will not resolve many intrinsic billing issues which may persist, independent to the switch process itself, such as infrequent 'actual' reads and seasonal consumption changes leading to price shock, and the number of bills a customer may receive subsequent to switching supplier.

However, we agree with Ofgem's conclusion that the benefits of RP2a broadly outweigh the costs, and that the reform package provides the greatest net benefit to customers.

As Ofgem notes, the data cleansing exercise and ongoing stewardship of this data will play an important part in the success of this programme. To maintain the integrity of this data, we believe any changes proposed in the Detailed Level Specification phase, particularly in regards to rights to amend data fields, must be considered alongside any existing and new regulatory requirements placed on parties. Any party with the right to amend a data field must be liable for any incorrect changes made, and the impact this may have on other parties and on the customer experience of the switch.

As an example, ESPUG has experienced instances where suppliers will attempt to incorrectly remedy cross meter issues by changing address information in the registration system; the new information has not always been verified on site, and can conflict with other suppliers' information. We are concerned that any incorrect 'updates' via the CSS as the single source of truth will flow through to registration systems, where the obligation to maintain this information sits with other parties. The point at which a regulatory obligation should be transferred to another party must be made clear in regulation.

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

Whilst we appreciate Ofgem's rationale for competitive procurement of the network capability, we urge Ofgem to consider ways to deliver this change at the lowest cost to industry, and ultimately customers. This may be to make use of existing assets such as the Data Transfer Network currently procured by ElectraLink.

The correct procurement approach will depend on the direction of work under the Detailed Level Specification phase. However, Ofgem must be mindful that an open competitive tender may result in the communications network capability being contracted out at a low proposal cost to DCC, yet high adoption cost for industry. In the interest of minimising complexity and cost uncertainty, it would be preferable to fully assess the case to make use

of existing communication networks at this stage of the process against the cost and benefits of a DCC run competitive procurement for the communications network capability.

Question 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 will allow for testing of systems before the industry moves to the tighter objections window. We also believe Ofgem should include provisions to extend this window through a direction, should it be deemed necessary and in the consumer's best interests.

A number of energy industry IT system changes have highlighted the need to carefully balance benefit and risk when setting ambitious 'go-live' dates. As erroneous and failed switches impact customers more negatively than slow switches, we feel a progressive implementation approach with thorough testing is preferable. It is unlikely that the benefit of a 'big bang' approach will outweigh the reliability risks.

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

Yes. A dual fuel REC is welcome, and will provide an important opportunity to rationalise codes within the energy sector. As there are numerous codes across industry, we encourage Ofgem to seek input from the relevant industry participants to ensure their detailed technical knowledge can be utilised over the coming months.

We also encourage Ofgem to consider how it will engage small organisations and new entrants to the market throughout the REC development process. Ofgem may wish to consider making presentations and Q&A sessions for key paper launches and programme updates available on its website via video. That way, participants restricted by time and resource can view and direct feedback to relevant working groups or Ofgem more flexibly.

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

Yes. The DCC and Network operators are not best placed to act as the REC Manager, as the activities which will be governed under the REC take place primarily between energy suppliers.

We note that initial registrations (for newly connected properties) and disconnections currently sit outside of the initial scope of the REC. Should this remain the case, any arrangements proposed as part of the switching programme must not conflict with enduring decision-making provisions under other codes. Customers (including property developers, in the case of new connections) must be able to enjoy flexibility in connection services, and network operators must not be prevented from offering flexible and efficient services to their customers.

As briefly discussed in our response to Question 1, we also urge Ofgem to carefully consider ongoing roles and responsibilities with respect to data alongside all current and proposed regulatory requirements. Under the data model Ofgem has set out where data is governed,

who is responsible for the ongoing accuracy and integrity of the data (which will be backed up by regulatory requirements), and who is entitled to use it. The CSS system should not be developed in such a way that parties will not have control over the ongoing accuracy and integrity of the data they are responsible for. Parties must be able to demonstrate compliance with overarching obligations, such as the GDPR.

Question 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. We also agree with Ofgem's proposal to put strong performance incentives in place to ensure there is a lever in place to promote the best outcome.

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

Yes. Inclusion of transitional requirements in the REC will minimise the level of uncertainty for participants and enable more robust planning, which in turn would support a smooth transition for industry.

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

Yes.

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

We agree that the timetable is ambitious; however, it is difficult to comment without further granularity. It would be useful to clearly note what will be delivered at each milestone, and also to include the steps for final sign-off (as currently envisaged by Ofgem).

It would also be useful to publish a consultation calendar to give interested parties and key stakeholders an indication of when Ofgem will require feedback, and from whom. This is important as there are other significant work programmes underway across the sector, such as the Significant Code Review, and the Open Networks Project, which will put pressure on the industry's available time and resource.

We believe this exercise will also assist Ofgem in ensuring consultations are appropriately timed within the Faster Switching programme itself. Ofgem needs to be mindful that most stakeholders will socialise technical documents within their organisations, and will require time to consolidate feedback. Whilst the programme should not move at the pace of the slowest, enough time must be allowed within the project plan for the consultations to be valuable.