



St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

Rachel Clark
Programme Director
Ofgem
9 Millbank
London
SW1P 3GE

By email to: switchingprogramme@ofgem.gov.uk

3 November 2017

Dear Rachel,

Delivering Faster and More Reliable Switching: Proposed New Switching Arrangements

Thank you for the opportunity to respond to your consultation in relation to the above¹.

For the purposes of ease of comparison with other respondents, we have structured our response around the questions as posed in your consultation document.

Chapter Two

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? If not, please provide evidence.

From a gas industry perspective we consider that RP1 has significant merit as it delivers an improvement to the timescales and customer experience associated with switching, whilst also making use of the substantial financial investment recently made by gas industry participants in the form of new UK Link systems (Project Nexus).

However, we acknowledge that as RP1 retains the existing separation between UK Link, MRPS, Data Enquiry and ECOES, it does not necessarily reflect the requirement for more centralised arrangements cross-utility, and as such does not satisfy the programme objectives noted in your consultation document (p28). With this in mind we consider that RP2a represents a strong option in terms of centralisation of systems and harmonisation of processes, whilst also retaining the opportunity to re-utilise the new UK Link systems. Furthermore, our understanding is that RP2a alleviates some of the challenges faced by the Supplier community with same-day switching, such as managing objections (requiring 24/7 operations) which would occur under RP2, and therefore RP2a seems to be a pragmatic and more cost-effective approach, thus satisfying the programme objectives. We agree with the assessment articulated in your consultation document that the additional costs of implementing a new

1

https://www.ofgem.gov.uk/system/files/docs/2017/09/delivering_faster_and_more_reliable_switching_consultation_0.pdf

Market Intelligence Service as per RP3 does not appear to be value for money and would also duplicate an existing programme of work in this area.

From an SGN perspective, the impact of RP2a on systems and processes would be dependent upon the ultimate technical design, and at present we are unable to assess the downstream impacts of the CSS. Given our existing interfaces with UK Link and the IX (Information Exchange) network, alternative arrangements would likely require new interfaces and would therefore incur expense.

Chapter Three

Question 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.

Whilst we understand that erroneous transfers significantly diminish the customer experience associated with switching, as this is a Supplier-centric activity we do not consider it appropriate to comment on the proposed approach.

Question 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.

As above, whilst we understand that objections are an important element of the switch event and can therefore significantly impact the customer experience associated with switching, as this is a Supplier-centric activity we do not consider it appropriate to comment on the proposed approach.

Question 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.

As above, as these features are Supplier-centric activities we would not wish to specifically comment, however in principle an assurance regime could be beneficial and, given the impact which both features have on the customer experience associated with switching, it would be a good metric to ensure that the intended improvements to reliability and experience of switching are achieved.

Chapter Four

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?

We agree that the communications network should be competitively tendered, in order to ensure the industry achieves good value for money in the new arrangements.

As per our response to question one, the technical design of the final solution will be the ultimate driver in our impacts and subsequent costs of implementation – a new communications network could require us, and others, to build new interfaces and infrastructure

Chapter Five

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.

As above, as the impacts of a reduced switching window primarily sit with the Supplier community we would not wish to specifically comment, however a transition period to deliver any additional requirements appears prudent and is a lower risk approach than a 'big bang' implementation.

Question 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.

As above, as the impacts of a reduced switching window primarily sit with the Supplier community we would not wish to specifically comment, however from a customer perspective we agree that a shorter window would be beneficial provided that the reliability of switching is not compromised.

We agree that the new arrangements should be reviewed and considered once operational in order to determine the cost/benefits of a subsequent move to next-day switching, including customer engagement to establish the improvements already achieved and the appetite for any subsequent changes.

Chapter Eight

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?

We consider that a dual fuel REC is consistent with the approach of a centralised cross-utility system. We also note that consolidation of the switching governance which is currently spread across several codes (MRA, SPAA, BSC, DCUSA as well as UNC) into a single code would be consistent with the Code Governance Reform work.

We understand the view articulated in your consultation document (p60-61) that due to the SEC's structure and scope, it is not an appropriate code to absorb the REC and, provided that clear distinction between the codes is retained, are supportive of this approach.

Question 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.

From a GDN perspective, our engagement in the switch event is significantly less than that of the Suppliers, and therefore we welcome the view articulated in your consultation document (p63, 8.18) that the obligation to own and maintain the REC should sit with this community.

Furthermore, whilst we acknowledge that certain GDN activities may require interaction with the REC (p64, 8.22) we would expect to see GDN accession to the REC to be at a level commensurate with our involvement.

With the above in mind, we would welcome clarity from Ofgem on the intended funding arrangements in relation to the programme as we would not expect this to rest with the GDN community.

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?

We agree that the DCC's involvement in the programme should be delivered via licence amendments.

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

We agree.

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

We agree.

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

We are supportive of the steps proposed in the indicative timetable.

We note that in order to deliver the benefits associated with faster and more reliable switching, the programme is subject to challenging timescales, which also extend to the development of the REC and associated licence amendments.

Impact Assessment

Chapter Three

Question 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?

We agree.

Question 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?

From a GDN perspective we are not actively involved in the aforementioned processes and therefore would not specifically wish to comment, however we consider that the approach seems prudent and is in line with the programme objectives of proportionality.

Chapter Four

Question 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.

Chapter Five

Question 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.

Chapter Six

Question 5: Do you agree with our assessment of the wider benefits of our reform proposals?

We agree.

Chapter Seven

Question 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.

Should you require any further information with regards to our response then please do not hesitate to contact me at David.Handley@SGN.co.uk

Yours sincerely,

David Handley
Head of Regulation
SGN