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31st July 2018

Sent via email to switchingprogramme@ofgem.gov.uk

Dear Ms. Clark,

Switching Programme: Proposed modifications to Regulation and Governance

We welcome the opportunity to provide our views on the above consultation. This is a joint response on behalf of Haven Power and Opus Energy which are both part of Drax Group Plc. Haven Power is the UK's 5th largest non-domestic electricity supplier by volume. Opus Energy is the UK's 6th largest non-domestic gas and electricity supplier by meter count with over 300,000 supply points.

We generally support Ofgem's proposed regulatory and governance structure of the new switching arrangements. We are also pleased that challenges of previous large-scale change programmes (e.g. Project Nexus) have been recognised and that all industry participants need to pull as one to successfully deliver the required changes in a cost-effective and timely manner. However, there are a few aspects of the proposals where we would like to state explicit support or highlight some concerns where we believe further examination is required.

Chapter 3: RECCo Governance

We do not support the proposal for RECCo costs to be recovered based on number of individual meter points (MPxNs) supplied by each party at a given point in time. The industry-wide costs of the programme (e.g. changes to central systems and industry code arrangements) should be borne proportionally by those consumers who will benefit from the changes. Most non-domestic consumers already switch supplier on their preferred start date so are unlikely to need or wish to make use of faster switching. Domestic consumers will benefit far more from faster and more reliable switching and so it would be unfair and inappropriate for non-domestic consumers to foot an equal (per meter) share of the central costs.

We are apprehensive about the proposal for the REC Panel to include independent representatives from outside of the energy market. Whilst we agree that consumer interests should be prioritised and that the REC's 'mission statement' would not be best fulfilled if the Panel is monopolised by large incumbent market participants, the energy market is complex and therefore requires relevant expertise to fully understand the many and varied interdependencies. We consider the introduction of non-energy professionals into a Panel,

desired by Ofgem to be “*capable of acting quickly and without undue delay*”, adds unnecessary complexity and could be counterproductive to this desire. We believe the Panel should include fair representation from smaller participants to ensure voting is not dominated by large incumbent market participants.

We are also concerned about proposals to place the same testing and demonstration of compatibility requirements on both incumbent suppliers and new entrants. The retail market has seen an increasing number of new entrants fail, causing detriment to consumers and wider market impacts. Ofgem’s recent open letter recognised that low entry barriers have reduced the likelihood of companies being able to enter the market and operate in a financially secure manner (e.g. the ability to meet credit cover requirements) and being able to meet customer service expectations. Ofgem has indicated a desire to add further scrutiny and oversight to the market entry process in the future including more in-depth testing requirements, and thus we consider it appropriate to place tighter entry tests and controls on new entrants using new switching systems to avoid market disruption.

We’d welcome greater detail on the powers and responsibilities of the REC Manager when the Statutory Consultation is published later in 2018. Given the level of autonomy that the REC Manager will have, it is important that suitable checks are put in place. Our interpretation of the proposed governance structure is that the criteria used by the Authority in making modification decisions is to be tightened, however we wish to explicitly request that the criteria for these decisions considers both materiality and impact on customers and market participants.

Chapter 6: REC Content

We support Ofgem’s plan to publish the drafts for all SCR related changes at the beginning of 2019. Whilst we understand the changes will not go through formal modification processes and will not take effect until a later date, early sight of the proposed changes is very helpful, enabling us to prepare internally, and would expedite any further industry consultation closer to CSS go-live.

If it would be helpful, we would be happy to discuss our comments above or any other matters relating to the switching programme.

Yours Sincerely,

Ben Trasler
Regulations Business Partner