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ElectraLink's response to Switching Programme Consultation

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Rachel,

Re. Switching Programme Consultation: Proposed modifications to regulation and governance

ElectraLink welcomes the opportunity to respond to Ofgem's 'Proposed modifications to regulation and governance' consultation, which sets out proposals in relation to the new Retail Energy Code (REC).

The introduction of the REC affords Ofgem and industry a unique opportunity to create an environment of innovation, greater use of technology and a regulatory framework that equitably represents all suppliers regardless of market size. It will replace existing codes, simplifying regulation, reducing barriers to entry for new market participants and therefore facilitate competition and consumer choice. The detailed design of the REC regulation and governance framework must support the delivery of these aspirations, and in our response to your consultation we have set out our thoughts on how best this can be achieved.

ElectraLink fully supports the creation of a code that is designed for, and driven by, the benefit of consumers and we are satisfied that the overall programme governance structure is suitable to support the development of REC v1.0 and beyond. However, we have highlighted several areas which we suggest Ofgem should revisit, and where we consider there are examples of good governance in the existing models for SPAA and DCUSA that can also benefit the REC.

The constitution of the REC governance bodies alongside the programme is critical. The terms of reference for any bodies established during the transition phase must have a primary focus on the programme's requirements but also have an 'eye to the future' so they can transition into the enduring arrangements. For example, we recommend that Ofgem considers again the makeup of the interim REC Panel, aligning it more closely to the enduring model. While existing MRA EC and SPAA EC members will provide continuity between the MRA and SPAA into a dual fuel code, independent members may encourage innovation and have a more focused outlook on the Panel responsibilities and remove any perception of undue influence by incumbent parties amongst the wider stakeholders. The proposed respective roles of the RECCo Board and Panel should also be reviewed. Whilst we agree with the overall governance structure proposed within the consultation, it is our view that the RECCo Board should be concerned with the corporate management and governance of the RECCo and the REC Panel should be concerned with setting the REC strategy and the operation of the code.

The scope of the REC Code Manager role that the consultation proposes, taking on responsibility for key roles which in other codes are the preserve of the Panel, should not be underestimated. The REC Code Manager will be tasked with planning and managing the delivery of REC services, including management of multiple service providers and driving forward industry change.

The REC Code Manager can only do this if properly empowered via the governance framework supported by the Code, which must remove management "at arms' length" where possible. Equally there must be appropriate checks and balances in place to ensure that a REC Code Manager, largely autonomous of the

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Panel, does not become a large, unwieldy, cumbersome central body organisation which places an undue cost burden on industry through identification and initiation of unnecessary projects or workstreams. The REC Code Manager must be accountable for its delivery of this role and managed accordingly by the REC Board.

Finally, ElectraLink urges Ofgem, and industry stakeholders, to carefully consider the interaction between RECCo and the DCC. The experience of the SEC shows how problems can emerge when a code is reliant on the provision of a service delivered via licence obligations but where no direct contractual relationship exists between the code and the licenced service provider. If a similar model is to be adopted for the REC i.e. no contract between RECCo and the DCC, Ofgem must ensure the REC provisions include clear, transparent performance measures with enforceable penalties for any failures by the DCC or its contracted service providers. RECCo, supported by the REC Code Manager, must be able to hold DCC accountable under the REC, leaving escalation via the licence breach route as a last resort. ElectraLink considers the role of the industry representative role within the programme to provide input into the CSS procurement and the development of the CSS contracts as critical in establishing this framework. Furthermore, we recommend that alongside this industry role continuing under RECCo, the appropriately skilled Non-Executive Directors of RECCo also play an active part in scrutinising the procurement and the CSS contracts to ensure they meet their fiduciary duties. RECCo has a fundamental interest in ensuring the CSS contracts are fit for purpose and it is critical that the RECCo Board satisfies itself that the CSS contracts, and the DCC's integration of these services, meet the required service requirements and the contracts provides necessary assurance in respect of failure mitigations.

We would be delighted to discuss our response and views in more detail. Please contact Stephanie.catwell@electralink.co.uk for further information.

Yours sincerely,

Stefan Leedham
Director of Governance Services

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Question 2.1

Do you support our proposal to introduce a high-level duty upon licensees to cooperate, where appropriate, in delivering the outcome of a significant Ofgem-led programme, such as a SCR?

Amending licence conditions is an effective tool for ensuring industry compliance with a programme of work. This is most effectively evidenced by the requirement for gas and electricity industry participants to act together, through licence changes enabled via SPAA and DCUSA, to procure the Theft Risk Assessment Service (TRAS). We therefore support this proposal, recognising its wider remit outside of the code modifications process and the switching programme. We further consider that the recognition of input broader than just licensees, e.g. supplier agents, would be welcomed and to some extent expected.

The duty upon licensees to cooperate will ensure parties act collectively with a unified purpose of achieving the defined programme outcomes and will enable positive consumer outcome, innovation and competition. It will also ensure that parties are proactively encouraged to participate thereby reducing the risk of stakeholders post implementation proposing that their voice was not heard, or they were denied the ability to input during the development cycle. Participation will engender a collective responsibility in the development and agreement of code objectives, make-up and functions of the Board and Panel, and input into the definition of the Code Manager service specification. Furthermore, as outlined in the consultation, it is important to ensure that all parties are compliant with any change that requires all market actors to adopt a new system and/or process. For 'big bang' technical changes non-compliance will add additional complexity to the market (through the requirement for IT or process workarounds). This will ultimately affect cost and the consumer experience. However, we also believe that the implementation of the new switching arrangements should not be delayed if a minority of industry parties are not ready in time, provided this does not impact the overall integrity of the solution.

We support Ofgem's approach of naming specific areas of required cooperation within the REC rather than the licence itself, to enable the generic licence obligations to apply to future programmes of work. This level of detail is required so that there is no ambiguity over the obligations, enabling all licensees to plan for their involvement accordingly, which is particularly important for licensees with limited resources.

We note that there is a natural incentive on suppliers to implement system and process changes in advance of the CSS go live date to enable them to take on new customers from day one and that the addition of a licence condition strengthens this incentive. However, it is anticipated that there will be some smaller suppliers who are not able to migrate to the new arrangements and therefore a robust workaround is required to ensure customers are not prevented from switching if their old supplier has not implemented system changes.

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Question 2.2

Do you agree that the RECCo should be established earlier than REC v2 in order to assist with the successful delivery of the switching programme?

ElectraLink agrees that the RECCo should be established earlier than REC v2. The early establishment of a corporate vehicle with a set of clearly defined transitional objectives, within its Articles of Association, will facilitate the development of the REC v2. Currently REC costs are included within SPAA and MRA budgets. A direct funding channel via the REC will allow for detailed budgets to be developed and agreed, thereby enabling transparency and accountability of costs. Establishment of the RECCo will allow for the procurement of essential service providers such as the Code Manager, legal advisers, corporate auditors and development of the REC website. It will provide the opportunity for the development of specifications detailing the skills, knowledge, experience, expertise and qualifications necessary to fulfil the enduring roles within the Panel and Board.

The SPAA EC and MEC, with support from Ofgem, have initiated the creation of an industry representative role within the programme to provide input, on behalf of industry, into the CSS procurement and the development of the CSS contracts. It is envisaged that this role will migrate from SPAA and MRA to the REC once established. ElectraLink would envisage that alongside this industry role continuing under RECCo, the appropriately skilled procurement/financial/commercial Non-Executive Directors of RECCo would also play an active part in scrutinising the procurement and the contract to ensure they meet their fiduciary duties. RECCo has a fundamental interest in ensuring the CSS contracts are fit for purpose for a variety of reasons, not least being that DCC will be a key, albeit not contracted, provider of services in support of REC. The DCC fulfilment of its CSS obligations will be almost wholly dependent on the performance of their CSS sub-contractor. It is therefore critical that the RECCo Board satisfies itself that the CSS contract meets the service requirements and the contract provides necessary assurance in respect of failure mitigations. In addition, the RECCo Board will need to satisfy itself as to the robustness of end of contract life exit management arrangements (e.g. to facilitate transfer from exiting CSS provider to new CSS provider, facilitate transfer from current DCC to new DCC, or transfer from DCC to RECCo or a combination of any two). In addition, the RECCo Board will need to satisfy itself as to the robustness of any arrangements in place in event of CSS provider failure or any early novation, for whatever reason, from DCC to RECCo.

Finally, establishing RECCo earlier than REC v2 will provide a level of consistency to the programme during the later stages.

Question 2.3

Do you agree that the bodies constituted under the REC could suitably play a formal part in the programme governance?

Our understanding of this question is that there will be bodies established under the enduring REC (v2) to support the governance processes, e.g. Performance Assurance Board. We believe Ofgem's proposal is to reflect, as far as possible, the enduring provisions when establishing similar bodies within programme governance, enabling a smooth transition. We agree that there is benefit in establishing governance bodies under the REC in the transitional phase that mirror those which will

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be in place for the enduring Code, and that these bodies can play a part in the programme, taking on some of the activities that will fall to them in live operation.

We note, and commend, Ofgem's aspirations regarding the REC signalling a step change in the way the industry codes operate. We strongly believe that to support this there needs to be a staged transition between REC v1 and v2, and handover between the programme and enduring governance regime. This will ensure there is a shared strategy, common understanding of the methodology and continuity in delivery, minimising the risk of a single point of failure from a 'drop dead' handover. It will also enable knowledge transfer.

It is important to ensure that the terms of reference for any bodies established within programme governance are fit for purpose with a primary focus on the programme's requirements. They need to be constituted to meet this primary focus but have an 'eye to the future' so they can transition into the enduring arrangements. In some cases, it will be possible for these transitional groups to evolve and continue under REC v2. For example, the current Security Subgroup convened to consider data security during the design and implementation phase could form an enduring security group to assess the impact of changes post CSS go live. Other groups will fall away, for example, activities currently delivered by the Regulatory Design Group may, in future, be incorporated within the Code Manager responsibilities. Where the provisions are expected to change significantly between REC v1 and v2, then it may be more appropriate to convene separate groups with relevant expertise.

Question 2.4

Do you agree that our definition of 'large supplier' in REC v1 is suitable for ensuring an adequate level of engagement with User Entry Process Testing?

The proposed definition of large supplier reflects the existing Licence definitions. As the current market share of suppliers with more than 250,000 MPANs is 94%, we consider this an adequate level of engagement for testing.

We understand that all suppliers will be required to undertake some form of User Entry Process Testing to ensure they can interact with the CSS systems. We believe this initial testing and any enduring entry process assessment should be flexible, and risk based, to ensure that the level of testing required by each party is proportionate and considers their size and the systems that they are using.

We believe that smaller suppliers may require additional support throughout the implementation phase and therefore, will require more time to successfully navigate User Entry Process Testing. We have previously supported a number of small parties, through UET, with the introduction of Green Deal. When the Green Deal provisions were introduced, over 70 new market participants were required to access the Data Transfer Service over a short space of time. Throughout this process, we utilised the existing standard onboarding process for all parties, whilst providing each party the opportunity to tailor their connection/testing where needed, dedicated resource for queries and user training (via training materials and training sessions). In doing so, this ensured that the Green Deal providers were onboarded successfully onto the DTS in 2 months ahead of the UET's scheduled completion date.

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Utilising existing communications infrastructure for the CSS will minimise UET requirements, as existing network providers, such as the DTS and IX, are already connected to the relevant parties and the only new connection would be the CSS. Whilst we recognise that the requirements for messaging have not yet been fully defined by the DCC, it can be assumed that the required testing would be routing these parties to the CSS and testing the new messages of the DTS and IX, which is standard practice for any new message and connection.

Given the changing dynamic of the energy system and the introduction of actors providing market entry services (via software and Business Process Outsourcing), such as Utlligroup or ENSEK, we would recommend that Ofgem reviews whether organisations that provide 'market entry' services to small suppliers should be accredited and fall into the same requirements of the 'large supplier' (if they meet the threshold). Small suppliers, underpinned by these services, are reliant on their market entry company to implement and test system changes to meet industry obligations. As the number of meter points underpinned by these 'managed services' grows excluding these parties from the obligations of a large supplier could see a drag on industry change; however, if this would be successfully implemented, including these parties in this 'large supplier' obligation could expedite UET for market wide changes.

Question 2.5

Do you agree that it would be appropriate to have in place interim governance arrangements prior to REC v2 coming into effect?

ElectraLink supports introducing interim governance arrangements prior to REC v2 to ensure there is a formal and suitably empowered decision-making body in place. Our understanding of Ofgem's proposals indicate that in the interim stage, these decisions would be primarily commercial, and procurement related, e.g. appointment of the Code Manager and budget setting, whilst the programme deals with delivery of the CSS and the development of REC drafting. On that basis, we support the proposal to appoint the SPAA and MRA executive committees as the interim Panel, noting that ElectraLink successfully manages a similar body through the TRAS Steering Group, which is a joint executive of two codes (SPAA and DCUSA). This group delivers a common objective for which both codes have responsibility. This can be an effective model, but clear terms of reference will be essential to ensure all members understand the objectives of the group and the capacity in which they are appointed. Clear terms of reference need to be established for this combined group not least so there is absolute clarity on whom the interests the participants of an interim panel are representing. This will also ensure that any potential conflicts of interest are avoided. We expect that they will be acting solely as REC Panel representatives.

We consider that if the role of interim Panel is established using current SPAA and MRA members, it would be preferable to introduce some independent members as well to ensure the benefits the consultation identifies them as bringing can be realised from the earliest opportunity. It is expected that the majority of the detailed operational working practices for the Panel and its functions will be developed and implemented by the Code Manager in this period. It seems prudent to ensure the future model is part of this process, thus allowing for a smoother transition between the interim and enduring Panel. While existing members would provide continuity between the MRA and SPAA into a dual fuel code, independent members may encourage innovation and have a more focused outlook on the Panel responsibilities and remove any perception of undue influence by incumbent parties

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amongst the wider stakeholders. It is important the balance between incumbents and independents is correct, even in the early stages, if a break in the established model is to be achieved. Furthermore, if the scope of the interim Panel's duties grows in the transition period, we recommend accelerating the appointment of the enduring Panel.

We also consider that this will be a crucial time in laying the foundations for the enduring Code Manager service. Once the Code Manager is appointed, we would expect all the underlying local working instructions / guidance documentation / operational procedures to be developed in this period, and ideally to be tested. We consider that there should be a focus on ensuring appointment of the Code Manager as early as possible so that they can work with Ofgem to co-ordinate amendments through the Programme's change control process. We support the use of the Programme change control process during this phase on the basis that the documents are still in development phase, however we would expect that full supporting documentation is maintained to record decisions so that they can be revisited, and the rationale understood later. This should reduce the risk of creating a 'tidal wave' of modifications on day one when the formal modifications process opens. We equally caution that this model should not create a list of 'parked' changes to be picked up from v2.

Together, this will minimise risk and facilitate a smoother transition between designations of REC v1 and v2 and allow Ofgem to focus on its wider programme activities.

Question 3.1

Do you agree with the proposed powers and functions of the RECCo Board, REC Panel and REC Manager, and how they would be distributed amongst them?

ElectraLink broadly agrees with the overall governance structure proposed within the consultation. We support the desire for a clear delineation of duties between the respective bodies, particularly between the roles of the Board and the Panel and that both should include Non-Executive members. However, we do not believe that the Board should be tasked with developing the REC Strategy. We believe this should be a Panel objective but with stringent oversight and scrutiny from the Board.

It is our view that the RECCo Board should be concerned with the corporate management and governance of the RECCo and the REC Panel should be concerned with setting the REC strategy and the operation of the code.

The role of the Board should be to create a corporate strategy which delivers a sound financial platform, appropriate risk management processes and robust scrutiny and accountability of the Panel and Code Manager. The Panel should be tasked with developing a governance strategy, which is subject to stringent oversight / approval by the Board and ensuring REC operations are focussed on achieving this goal. The Code Manager should perform against a clearly defined service specification with demanding and challenging accountability measures which incentivise excellence and deter work creation for its own sake.

Having Non-Executive Directors on the Board ensures compliance with the UK Corporate Governance Code. However, we recognise the merits that Option C, with some Panel members also being Board

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members, would bring and recommend that Ofgem revisit that option. Our concern is twofold, firstly a wholly Non-Executive Director Board does not reflect good corporate governance as defined by the UK Corporate Governance Code (Boards should comprise both Executive and Non-Executive Directors) and secondly, a Board comprised of individuals with no experience of energy regulation, energy governance or operation of the energy market may struggle to forge a robust REC strategy. Recent corporate failures, most notably in the financial services and construction sectors, demonstrate the risks of a Board who do not fully understand its corporate operations. Having two Panel members appointed to the Board would provide such expertise and facilitate a crucial bridge between the Board and the Panel.

We support the opportunity for the establishment of a Code Manager that can proactively plan and manage its own delivery of REC Services and is accountable for doing so through a performance regime comprising quantitative and qualitative measures. There does however need to be a counterbalance to the Code Manager being largely autonomous of the Panel and the increased powers conferred on it. This is to ensure that, firstly it does not become a large unwieldy, cumbersome central body organisation which places an undue cost burden on industry through identification and initiation of unnecessary projects or workstreams; and secondly that it does not become a single point of failure in industry by being the sole organisation with the skills necessary to fulfil the role. ElectraLink would be happy to discuss in more detail some ideas on incentivisation of the Code Manager to ensure projects initiated by it are feasible.

Our experience in managing existing industry codes shows that separate groups with their own constitution, expertise and differentiated powers allows each group to focus on their own objectives at the right level of detail, coming together to form effective delivery overall. Whilst we set out our thoughts on each of the governance bodies below, we do recommend that further consideration is given to the interactions between them and how this will work in practice.

RECCo Board

As set out above, we endorse the separation of duties, responsibilities and objectives of the Board and Panel but recognise that a close working relationship will need to be maintained between the two. This structure is standard in nearly all companies, with a clear separation between the Board and the executive team (in this instance the Panel), with the executive being accountable to the Board.

Some further work is required to ensure that specific responsibilities sit with the appropriate group, for example management of budgets and billing should be a corporate function rather than Panel function. Equally the consultation refers to devolving commercial decision making to the Panel. We would consider all commercial decisions to be the sole preserve of the Board.

We also consider that ensuring party compliance should be a Panel rather than Board responsibility given our earlier comment regarding the degree of understanding by the Board of code obligations. We support the position that performance assurance should be a component of the Code Manager duties.

We see the role of the Non-Executive Directors as one of facing constructive challenge and helping to develop proposals on strategy. Non-Executive Directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

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We also support the view that the Code Manager should be accountable to the Board, but we would highlight that the main customers of the Code Manager services will be the code parties and the Panel and its sub-committees. This again will require close liaison between the Board and Panel when reviewing Code Manager performance.

The Board should be headed by an Independent Chair responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.

The Board, and the Panel, should have the appropriate balance of skills, experience, independence and knowledge of the company and the Code to enable them to discharge their respective duties and responsibilities effectively.

As stated in clause 3.29 of the consultation, the preferred model would see Board Directors appointed by an independent body such as Ofgem and/or Citizens Advice). The appointment of Directors is a normally a reserved power of shareholders, usually defined within the Articles of Association, at a General Meeting. We recommend that further legal advice is taken to ensure this objective is achievable.

We would expect the appointed Non-Executives, as is normal, to be an expert in a particular discipline. Importantly for the future, we consider expertise in procurement and management of a complex, industry scale IT service to be essential.

REC Panel

ElectraLink broadly supports the proposed structure and objectives as set out in the consultation but as discussed earlier, believes that the role of the Panel should be expanded to include strategic development of the Code with suitable scrutiny and approval by the Board. We do not believe, given the intention of where Board members will be drawn from, that the Board will be best suited or qualified to develop REC Strategy. Our experience is that best results are achieved when responsibility, and accountability, is placed with those who have the skills, knowledge and experience to deliver the required outcomes. We recognise that safeguard and counterbalances would need to be in place to ensure the Panel is always focussed on achieving consumer benefit rather than, say, maintaining incumbent supplier market advantages or stifling of innovation or entrepreneurship.

Panel performance should be subject to regular Board oversight and scrutiny and the Board should have the power to remove Panel members who are not performing their duties effectively or within the spirit of the Code. The Board should have the power to appoint independent expertise, if required, to support their appraisal of Panel performance.

We fully support the proposal for the Panel to include independent Non-Executive members who could carry out a comparable role to that of a Non-Executive Director on the Board namely, constructive challenge, helping to develop strategy and scrutinising the performance of industry appointed Panel members. They should satisfy themselves on the integrity of appointed Panel Members and continued assessment of available skills against current requirements. The Non-Executive Panel members could transition to the Board thereby creating a vital link and transfer of knowledge from the Panel to the Board. This would facilitate better informed decision making by the Board.

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We would recommend that the Panel is headed up by an Independent Chair. ElectraLink's procurement of an independent Chair for the SPAA Executive Committee (EC) has resulted in a much clearer delineation of functions and powers between the EC and Board, improving transparency of decision making and greater scrutiny of Board challenge on EC decisions.

The consultation sets out a fairly high level, and in some instances somewhat subjective, view of the duties of the Panel. It is clear further work is required to establish the specific role of the Panel. It is critical that the role of Panel is clearly defined for a variety of reasons, not least to ensure that its actions will deliver the REC objectives. The role of Panel member must be sufficiently rewarding and challenging to attract people of requisite seniority, skills, experience and knowledge. It should not and cannot be solely an administration and oversight body. To attract the right people to the role of Panel Member, the Panel must have authority and decision-making powers, and this is crucial to achieving the "expertise" consideration included in section 3.41 of the consultation.

Code Manager

For Ofgem's REC vision to be achieved, it is vital that the Code Manager has broader powers than that of the current code administrators, and equally that it is accountable, both quantifiably and qualitatively, for delivering them. The Code Manager should be subject, in equal measure, to liquidated damages for non-performance and incentivised for consistently good performance in excess of KPIs. Under the proposed model in the consultation, the Code Manager takes on responsibility for key roles which in other codes are the preserve of the Panel. The Code Manager will be tasked with planning and managing the delivery of REC services, including management of service providers and driving forward industry change. They can only do so if properly empowered via the governance framework and drafting of the Code. In establishing the role in this way, the Code Manager will be accountable for delivery of this role and managed accordingly by the REC Board.

Since the publication of the CMAs findings, ElectraLink has been transforming its service offering to that of a proactive Code Manager - listening to the requirements of our broader stakeholders and developing solutions to implement change. This has enabled us to implement material changes for the overall benefit of industry and consumers, such as the development and introduction of the Gas Data Flow Catalogues which will allow market participants to access the flows required for the Retail Gas Metering Arrangement (RGMA), Resolution of Erroneous Transfers (RET), Supplier Agreed Reads (SAR) and Notification of Old Supplier Information (NOSI), as well as the intention to migrate Prepayment and Debt Assignment interactions.

Under the REC, the benefits of such a transformation of the Code Manager role can be taken even further with the Code Manager leading projects, using industry to validate views and consider options rather than 'facilitating' open questions for industry to find solutions. This in turn will reduce the burden on industry to develop its own solutions, ease the implementation of changes will have a positive impact on stakeholders and support the retention of staff with appropriate skills within the Code Manager organisation.

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Question 3.2

Do you agree with our proposal that independent Non-Executive Directors (NEDs), potentially from outside of the energy industry, should be present on the RECCo Board and that the composition of the RECCo Board should be subject to thorough review, both periodically and/or whenever the scope of the REC/RECCo Board responsibilities changes substantively?

As detailed in Q3.1 above ElectraLink supports the inclusion of NEDs on the RECCo Board because they would not have a vested interest, though we would advise that the Directors should have the appropriate skillsets to be able to tackle the financial, technical and strategic objectives required in this role. It is suggested that the Code Manager should also be able to advise on subjects to ensure the decisions adhere to the REC Mission Statement.

We have set out above in Q3.1 our concerns regarding the creation of a wholly Non-Executive Board drawn from outside industry.

ElectraLink would support the continuation of either annual or periodic reviews across both the RECCo Board and REC Panel. The performance of the Panel should be subject to periodic, i.e. quarterly review by the Board and the Board should be subject to annual review by the shareholders and Ofgem.

Question 3.3

Do you agree with the principles for REC Panel Composition as set out in paragraph 3.43?

We agree with the principles set out in the consultation. Our experience of securing Panel member representatives, especially from smaller parties, mirrors that set out by Ofgem. ElectraLink uses a broad range of communication techniques to encourage participation including teleconference and webinar and agree these should be provided as standard for REC meetings. Further to Q3.1 above, it is essential that the role of Panel Member must be sufficiently empowered, rewarding and challenging to attract people of requisite seniority, skills, experience and knowledge.

Further consideration is required regarding the appointment of members, particularly the independents and the timing of their introduction as detailed in Q2.5.

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Question 3.4

Do you agree that there should be entry and systems testing requirements placed on new entrants, comparable to those that we expect incumbent suppliers to undergo as part of the transition to the new switching arrangements?

All market participants should be required to meet a minimum standard of entry requirements to participate in the market. Switching is an essential component of the market and all participants will need to have the ability to send and receive switching messages to and from the CSS and have robust processes in place to mitigate the risk of erroneous switches.

The entry assessment provisions form part of the overall risk-based REC assurance framework and therefore the extent of testing required by individual parties will be dependent on the level of risk that a party poses to the retail arrangements. We would suggest that a standard entry assessment questionnaire is completed by all new entrants when they accede to the REC. This will provide the Code Manager with an understanding of the party systems and processes and will be used to determine the level of testing required. As a minimum, parties should be able to provide evidence that their system has been fully tested and meets the security requirements which we understand are being developed. At this stage we do not believe tests need to be independently witnessed or audited however it is essential that the Code Manager has the technical skills necessary to do so, should this requirement materialise.

ElectraLink currently enables testing for new parties wishing to send messages across the Data Transfer Service (DTS). Messages can be created to include a test flag which allows test messages to be separated from operational messages within the production environment. This provides parties with comfort that they can interact effectively with central system and other parties without risking the integrity of the data held. We strongly suggest that CSS messages are designed to include the same testing functionality to support entry process testing. Such a process can be used during live operations when new messages are developed, to ensure interoperability between parties and mitigate the risk that parties have interpreted the requirements differently.

Once the Code Manager is satisfied that the party has successfully completed the REC entry assessment, they will be approved to initiate switch requests in compliance with the REC provisions. This means that a party cannot register new customers until they have successfully completed entry assessment. As part of the ongoing performance assurance provisions, parties who carry out material changes to their systems should be required to undergo a further re-qualification assessment to demonstrate that their systems and process are still compliant with REC. Therefore, initial testing requirements should also apply to re-qualification.

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Question 4.1

Do you agree with the proposed minimum content for REC v2 (as listed in Appendix 3)? Is there any other content we should consider for inclusion in REC v2? If yes, please provide further details.

As a minimum, REC v2 should include requirements relating to the full end to end switching process, including the new CSS provisions as well as existing exceptions processes currently included in the SPAA and MRA that minimise any negative consumer impacts when issues arise.

We note that the majority of SPAA provisions have not been included in REC v2, as they do not directly impact switching. Whilst we understand that code consolidation is excluded from the scope of the SCR and therefore not part of the overall Switching Programme, ElectraLink has been exploring ways with the SPAA EC on how to facilitate early migration of the remaining SPAA requirements which do not relate to the end to end switching process, in parallel with the centrally led Switching Programme. This has included activities to review and consolidate gas prepayment provisions and metering codes of practice (AMICoP and MAMCoP) to ensure these are fit for purpose ahead of migration to the REC.

We have also carried out activities to harmonise gas and electricity market operations, for example our development of the online RGMA and Supplier Data Flow Catalogues brings consistency in the presentation of flow definitions across the market in a clear and useable fashion. We believe there is benefit in adopting this structure for any new CSS interactions. Working with other code administrators we have also introduced dual fuel processes such as the Debt Assignment Protocol, which can easily be migrated into a dual fuel code.

ElectraLink is keen to continue this proactive approach to ensure the remaining SPAA provisions can be migrated to the REC at the earliest possible date, which may allow the scope of REC v2 to expand.

We support the proposal, reflected in the drafting, to include the high level governance provisions in the REC Main Body with detailed processes in operational schedules. This approach has worked effectively in both SPAA and DCUSA, allowing distinct subject matter to be included within a single governance regime. We note that Ofgem proposes to classify operational schedules as either mandatory or optional to clearly highlight those parties that are required to comply with the provisions in each schedule. However, we urge Ofgem to further consider the use of elective schedules to facilitate future innovation in the way activities are delivered. This links to Ofgem's recent 'Regulatory Sandbox' work and could provide a robust mechanism for parties to trial new solutions without mandating them across the entire market. From an assurance position, we recommend that schedules which include obligations on industry parties and defined processes should be classified as mandatory, to remove any ambiguity on the process to be followed. This will enable measuring and reporting of compliance, which ensures that the market is operating effectively and that improvements can be identified and their effectiveness assessed.

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Question 4.2

Do you agree with our proposal that the REC Code Manager should collate Switching Domain Data and make it available to Market Participants? Or do you consider that the Data Master for each element of Switching Domain Data should make it available to Market Participants?

It is not necessary to hold Switching Domain Data centrally to ensure that there is one consistent version of the MDD for the market to use. The owners of Switching Data should be clearly defined. Access to Switching Data should be facilitated through a suitable technical mechanism, such as an API or a web service, rather than sending data between participants. We believe that the REC Code Manager should be tasked with ensuring that MDD is coordinated across all fuels.

As set out in the draft Data Management Schedule, there are several different types of Switching Domain Data which will be utilised under the new arrangements. In most cases the Code Manager is expected to be the data master and will therefore provide information to the relevant market participants, including the CSS Providers; however, two main exceptions apply:

1) It is anticipated that gas and electricity Market Participant details such as Market Role, Market Participant Id and Market Participant Role will be mastered by the Central Data Service Provider (CDSP) and BSCCo respectively. Whilst various options exist for sharing this data with all market participants, we suggest this is done through an API or web service, rather than having data masters sending the data to all parties. ElectraLink believes that any of these options are feasible, provided that the agreed process links in with the REC entry process arrangements to ensure the Market Participant MDD is read in conjunction with the Market Qualified and Un-Qualified data. However, the latter option would be preferable as it reduces the need to move data around.

2) Commercial and Regulatory Associations will continue to be mastered by the CDSP for gas Supplier / Shipper / Gas Transporter (GT) associations and Distribution Network Operators (DNOs) for electricity Supplier / DNO associations. As there is no manual intervention required in relation to this data, ElectraLink believes updates should be provided directly to the CSS Provider from the data masters via APIs or web services. As reflected in sections 5.9 and 5.10 of the Data Management Schedule, relevant parties should then be notified of the updates by the Code Manager as an acknowledgement that the data has been updated within the CSS. This process should take place in the absence of any automated notification directly from the CSS which we believe is outside the scope of the current CSS design.

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Question 4.3

Paragraphs 4.20-4.24 suggest that the DCC should be subject to a data quality objective and performance standards around the quality of REL Addresses. Do you have suggestions on the quality measure areas and levels quality measures will take? Do you believe that the REC Panel should have a role in setting these targets (initially and/or on a periodic basis)?

With 61% of erroneous switches due to 'poor data', data quality is central to the success of faster switching[1]. Addressing standards would involve agreeing an address standard for the REL, with the measure of quality being the percentage of addresses that achieve this standard. The address standard should outline the parameters for a Minimum Viable Address (MVA) – the standard of address quality that is required to meet basic switching requirements.

Whilst establishing address standards can be difficult, we believe that, at a minimum, the address parameters should ensure that the address population rules are consistent across the industry and industry systems, each address is unique (or at a minimum has a unique identifier) and has been verified (either against a central database, independent party or consumer).

However, a more likely cause for 'poor data' is the mismatch between the three key pieces of information needed to bring about a successful customer switch, namely MPxN, Address and Meter Technical Details (MTD). Focussing purely on one of these items, the address, would not necessarily tackle the 'poor data' subject in its entirety. It is difficult to envisage an effective and measurable data quality target on address alone – a more useful target would be to ensure that the three data items are complete, accurate and correctly linked to each other.

To ensure a continual improvement in this area, an effective feed-back mechanism would be needed to correctly identify data quality issues and fix them. Under the current regime, it is usually the losing supplier who becomes aware of a data quality issue, but as they are the losing supplier, they have no short-term incentive to spend resource having it corrected. It would be necessary, therefore to identify a mechanism to encourage the correct behaviour of all parties, not just the DCC.

ElectraLink believes this should be a core duty of the Board as they will be responsible for monitoring CSS performance which we assume will include requirements relating to address data quality. We agree that the REC Panel should also have a role in setting targets based on their knowledge of the operational address matching provisions. Given the proposed powers and accountabilities associated with the Code Manager role, it is imperative that the Code Manager has a detailed understanding of all areas of the CSS requirements, including the proposed address service, to support the technical assessment of further changes. Therefore, we believe the Code Manager should also have a role in setting quality targets.

ElectraLink has actively engaged with the industry to understand the concerns with address quality and using that knowledge has developed the TRAS methodology which allows for consistent supplier reporting, as well as improving the way in which this data is being collated, investigated and provided

[1] Data extracted from the DTS Dataset and correct between July 2017 - June 2018. 'Poor Data' erroneous transfers are deduced from erroneous transfers that have the reason code 'incorrect MPAN'.

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to industry. The formation of the Theft Best Practice Forum ensures the continued resolution of theft and data issues.

ElectraLink also has experience delivering similar activities in relation to the TRAS service which requires the service provider to match industry address data to assess each individual's propensity to theft. We would therefore welcome the opportunity to discuss this further with Ofgem.

Any contract or agreement between RECCo and DCC for the delivery of CSS should contain a full suite of KPIs, both quantitative and quantitative, that cover all crucial aspects of the service, have associated liquidated damages (services credits) for failure, are measured on a periodic and rolling basis and which are subject to annual review. They should be demanding and non-conflicting.

A key KPI should relate to data quality. It is widely accepted that data quality has impeded industry development and is detrimental to the consumer experience both in terms of service quality and billing. It must, however, be recognised that the DCC will be dependent to some degree, at least at the outset, on the quality of data provided by industry. Any lack of quality therein should not be an excuse for poor data quality over the life of the CSS contracts. DCC should have a clear objective to improve data quality through CSS.

Data quality targets should be ramped upwards over the life of the contract and as a minimum reviewed on an annual basis. This ratcheting system has been used to great effect in TRAS. At the outset the targets reflect the quality and sparsity of data and then ramp up as and when data is collected, cleansed and stored.

Question 4.4

Paragraph 4.25 outlines that the REL Address data quality indicator is currently intended to be an internal measure for the CSS. Do you believe there is value in making this available to other market participants? If so, please provide your rationale for this and outline which market participants should have access.

Unless there is genuine rationale for not disclosing performance indicators (for either commercial or data privacy reasons), ElectraLink believes that all non-confidential information should be publicly available relating to the process for determining REL addresses and assessment of quality.

Transparency of the REL quality indicator against the MVA will allow market participants to adjust their processes according to the risk of poor quality address data. Where an address is published indicating a high-quality level, suppliers will have more confidence that the address has been validated against the network operator data and matched to address data from the central register, minimising the need for address checks and enabling the supplier to perform a faster switch. Where an address has a low quality indicator, the supplier may choose to temporarily delay the switching process to perform additional checks with the customer to validate the address data provided, thereby ensuring a reliable switch. Consequently, visibility of address quality will highlight any market changes that reduce or increase address quality, enabling both positive and negative changes to the quality of the data to be appropriately responded to by industry participants. We expect the number of addresses that require additional validation to be low and to reduce over time.

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The REC should consider data quality measures be subject to performance assurance regimes in a similar way to how settlement performance has been managed by the BSC performance assurance board. These data quality measures should not be restricted to address data quality but include all data required to complete and operate a customer account effectively. The measures should include completeness and timeliness of transfer and be visible as a way of highlighting best in class performance and those organisations where improvement is required. This performance assurance can be supported by a range of services that allow data to be validated and missing data identified. These tools exist today (DTS dataset API's and the Xoserve API's) and are providing a mechanism for organisations including MAP and Suppliers to solve current data quality issues.

Question 4.5

Paragraph 4.25. suggests that the DCC should set out the methodology it will apply to meet the REL Address data performance standards on an annual basis. Do you agree that it would be beneficial to make this methodology publicly available?

As per Q4.4, ElectraLink believes that all non-confidential information should be publicly available relating to the process for determining REL addresses and assessment of quality. The key issue with address quality has been the difference in interpretation of the Minimum Viable Address across participants (i.e. what participants class as a 'correct' address format and quality) and, therefore, the quality of address data between different systems across participants varies. Allowing transparency of the methodology for performance standards will allow other market participants to align to industry standards of address input / quality as their systems and processes evolve. This will also mean that any changes to the methodology to achieve performance standards can be replicated immediately and will not result in a lag in the adoption of new processes.

We also believe that this will enable the industry to scrutinise the methodology to ensure that it is fit for purpose. We note that similar service provider methodologies are made available to market participants for scrutiny, for example the Theft Risk Assessment Methodology is developed by the TRAS Service Provider and considered by industry representatives before final approval by the SPAA and DCUSA Panels. We believe this transparent, inclusive approach facilitates the creation of a more robust methodology, with those impacted by the output being able to feed into the development.

Question 4.6

Do you support the creation of an Enquiry Services Schedule in REC v2? If so, which of the options around the requirements (in paragraph 4.32) do you prefer? Please provide details to explain your answer.

ElectraLink supports the inclusion of an Enquiry Service Schedule in REC v2, as the publication of data on the Enquiry Services is key to the successful implementation of the new switching arrangements. We note that the consultation proposes that this schedule includes details of the service description, process for gaining access to ECOES and DES, details of data items available to users and audit /

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monitoring requirements. We strongly believe that the Schedule should include the flexibility to add additional data sources over and above DES and ECOES. Our reasoning for this is given below.

We understand that in electricity, the data items published on ECOES are owned by either Suppliers or DNOs and therefore migrating the governance to the REC is relatively straightforward. However, in gas, DES currently publishes Shipper and GT data with data access issues considered under the UNC. In addition, SPAA Schedule 23 exists to ensure Suppliers are provided access to the required data.

With the introduction of the new switching arrangements at CSS Go Live, gas suppliers will take responsibility for initiating switch requests and ensure the central database holds details of the registered Supplier. Therefore, ownership of data published on DES will be shared between suppliers, shippers and GTs. We are therefore sympathetic to the dual governance issue that Ofgem has highlighted in the consultation and believe that interactions between the REC and the UNC will be required to ensure access provisions are robustly implemented in the same way that currently the UNC and SPAA both detail DES provisions.

We understand that a full review of DES permissions is being considered under the UNC and fully support this review. We believe the scope of this review should include consideration of access to data post CSS Go-Live and that representation from SPAA is included to protect the interests of gas suppliers.

We understand that the focus of the current consultation is the governance and regulatory provisions associated with the proposed switching arrangements. The consultation assumes that the solution will retain the existing ECOES and DES systems and the Market Intelligence Service (MIS) being developed by Gemserv and Xoserve would provide a common front-end for user access. However, we would like to take an opportunity to share our views in relation to the current data provisions and how this could be transformed.

Data will underpin the successful delivery of both central switching and the ongoing transformation of all industry processes. Access to data is therefore going to be vital to improving customer outcomes and the data required by the market will be significant. We would not limit the provision of the MIS to being delivered by DES and ECOES. These systems do provide the basis for provision of the existing enquiry services but in the future new data-sources will be required. We would advocate that the schedule be based on a flexible, open approach to the access of data allowing new data sources to be added as the requirements are identified, particularly where these are readily available and can be provided cost effectively without the need for changes to supplier systems to first add the data to ECOES or DES. Adoption of this approach will de-risk the creation of central systems. An example of this approach would be the addition of EAC data from the DTS data. Both the data and the governance to access it are in place so market participants would be able to gain access through a MIS API with no additional development of industry systems.

The introduction of an open data frame-work (like in the banking industry) that defines the data, data structure, governance, and access location to a range of data sets will create an environment where the market can access a range of data to improve processes without the need for continuous development of central systems. The principle of an open data framework is that data is made available from the most appropriate location without the need to transfer data between participants and central systems and that new data sources can be added as they are identified as required.

Question 4.7

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Do you agree with our proposal to create a REC Exceptions Schedule to be contained in REC v2, with the scope outlined in Figure 3? If not, please provide further details.

ElectraLink supports the inclusion of a REC Exceptions Schedule to detail the resolution and prevention of issues encountered during the end-to-end switching process. We agree that the current processes contained within SPAA and the MRA are in scope of REC v2, as shown in green in Figure 3, because these processes are a part of the customers overall switching journey. If these were not in scope, then the only switching process would be the end-to-end 'happy path' rather than how to handle any exceptions to this procedure.

Question 4.8

Do you agree that the grey areas highlighted in Figure 3 should be out of scope of an Exceptions Schedule for REC v2? If not, please provide further details.

The identified processes are not fundamental to the end-to-end switching process and should be out of scope. Regarding Smart Prepayment Switch Exceptions, it is unclear when Prepayment provisions will migrate into the REC and it is our opinion that all Prepayment procedures should migrate together. We would note that as it is unknown when these additional SPAA Schedules will be migrated into the REC, ElectraLink has been proactively working to prepare for the transition into the REC. Currently, we are working to review and consolidate five SPAA Prepayment Schedules so that the procedures are ready for either REC v2 or REC v3.

Question 4.9

A list of suggested content for a set of REC Technical Documents can be found in section 4.44. Do you believe that any of the content listed is unnecessary or is there any content that you would expect to be included? If so, please provide details.

The suggested content of the REC Technical Documents is a short list and we believe that, given the right amount of detail in each item, these items could cover all technical requirements for the industry. Once more detail is garnered on what is included, we will be able to assess this more fully.

We have outlined below the areas we believe the technical documentation should cover to be comprehensive:

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CSS Document	Required Technical Detail Covered
A CSS Service Description Document availability, processing, reporting and performance standards and response timelines of the service including the Switching Network 19. It should also define details of the testing environment and enquiry service/phone line.	Typically, this single document would be split into a number of individual documents which each serve a different purpose. Typical documents within that document set would include: Functional and Non Functional Requirements Specification – these define the requirements from a business perspective. Each requirement should be given a unique identifier so that the requirements can be tracked through the design, develop and test phases. Functional Specifications – high level document stating how each Functional Requirement will be satisfied. High Level Design Documents confirming how each individual functional requirement will be satisfied within an overall design. Low Level Design documents detailing how each individual requirement will be met in detail. This document may include pseudo code, scripts etc. Test Strategy – defining how the testing processes will prove that each Functional and Non-functional requirement will be proven. Test Specification – the detailed test plans, which will include individual test scripts, with execution tests, starting conditions and expected results, again linked to individual requirements Test documents are likely to cover multiple test phases, such as alpha, beta, system, integration and acceptance
A CSS Service Management Document: release management, planned and unplanned outage management, contingency arrangements and error resolution processes and responsibilities for CSS issues.	This should include service management definitions, SLA targets, processes and procedures including change management, issue management, defect management, release management, reporting etc.
A CSS Interface Document: the CSS Data Model, Data Catalogue, interfaces, validation rules, response principles, rejection responses including any codes and technical and communication 20 standards.	Logical and physical interfaces should be kept separate to ensure there is no tie-in to a particular solution. Open standards should be used where possible.
A CSS Security Document: the security standards and protocols applicable to the CSS, including provision of user accounts, procedures around unauthorised access, audit trail requirements and virus protection	Similarly, the logical and physical requirements should be kept separate.

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Question 4.10

Do you believe that table 1 captures all of the items that should become a REC subsidiary document? If not, please provide details of the additional items that should be included and why.

While table 1 captures most of the required items, we would suggest the consideration of the following:

- **Business Continuity Plan (BCP)**
    - The BCP should document clearly the processes to be invoked in the event of a disaster, including an analysis of potential threats, contact information including who is responsible for different solutions, communication and recovery, data backup regime. The BCP should include all information need by market participants if a serious outage or disaster occurs and this should be made public and an easy-to-access manner.
- **Operational Risk Management Procedures and Register**
    - All risk to the successful operation of services should be captured, documented, disseminated and managed. A clear and concise process should be documented and made available which describes this process. A register of all risks should be published and actively managed and maintained.
- **Operational Reporting Standards including pro-forma reports**
    - Standards for service reporting should be agreed and published clearly defining what measures of service standard are to be monitored and reported. Proformas of each report should be produced, particularly where the report contains useful data for analysis and assessment by users of the services.
- **Training material**
    - A range of training material should be produced, published and maintained. Consideration to type of material and delivery mechanism should be given, including items such as User Guides, web sites, videos, blogs, vlogs, webinars, Computer Based Training, FAQ and web chat.

Question 4.11

Do you believe we have assigned the correct responsibility for producing each REC subsidiary document? If not, please provide further details.

The proposed responsibilities to produce the REC subsidiary documents are correct, however we note that all documents should be drafted in line with the governance drafting, be subject to an industry change control and appropriately reviewed and maintained.

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Question 5.1

Do you agree with the role we have set out for DCC during the DBT phase and steady state operations? If not, why not?

We agree with the role outlined for the DCC during the DBT phase and steady state operations. We are already engaging with the DCC on the programme and we will continue to work closely with the DCC through the DBT phase.

Question 5.2

Do you believe that our proposed drafting to amend LC 15 of DCC's licence would, if implemented, accurately reflect our expressed intentions? If not, why not? Question 5.3: Do you agree with our proposal to add new CRS specific price control terms. Do you think any of these terms are unnecessary or are there other terms we should consider adding?

ElectraLink is not best placed to comment on this question.

Question 5.4

Do you agree with the high-level programme outcomes we believe the programme should look to incentivise? Can you suggest further areas we should look to include and are there aspects you believe should be prioritised?

ElectraLink is not best placed to comment on this question.

Question 6.1

Do you agree with the changes that we propose to make to the scope of the Switching SCR?

ElectraLink supports the proposed Switching SCR changes.

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Question 6.2

Are there any further changes that you consider we should make, either to bring something into scope, or to explicitly rule it out of scope?

The SCR recognises the flexibility that we outline in our answer to question 4.6, where we propose that rather than talking about enquiry services in terms of their providers (i.e. ECOES and DES), the SCR should reference a MIS that can be provided by a range of data sources.

Question 6.3

Do you agree with our proposed approach of publishing the drafting of all SCR related changes circa Q1 2019, but waiting until systems have been proven through testing before submitting the proposals into the modifications process?

ElectraLink has considered the approach and determined that three options are available to progress the Ofgem-led SCR changes. The first would be to progress SCR changes while the appropriate resources are available to Ofgem, although the changes pre-2019 may not be compatible with the system. The second option is to wait until the systems are fully implemented to raise the SCR changes. The third option is to draft the SCR changes now and then wait until the systems are proven before progressing the changes. All three of these options need to ensure that all changes are progressed through the relevant code modification procedures ahead of CSS go-live.

We agree that technical testing and establishing proven systems is key before publishing the regulatory changes (option 3) as it is possible that testing process could identify issues that require regulatory response. This will streamline the process and remove potential ambiguity regarding the requirements placed on suppliers during the implementation phase.

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