The Switching Programme: Re-assignment of Supplier Identity in the event of an appointment of a Supplier of Last Resort (SoLR).

# Introduction

In the event of a Supplier failure Ofgem will appoint a Supplier of Last Resort (SoLR) to ensure continuity of energy supply to end consumers.

The appointment of a SoLR happens relatively infrequently – typically less than [ten times] in any year – but when such an event happens it can result in many thousands of end consumers having an alternative Supplier appointed for them by Ofgem. With the prevalence of dual fuel consumers, particularly in the domestic sector, this could present material volumes of gas and electricity switches being required to go through the Central Switching Service (CSS) if these were completed as Registration transactions.

Design Baseline 4 (DB4) anticipated that SoLR appointment *would* be enacted by re-assigning the failed Supplier identity to the appointed Supplier in the SoLR process, and that the Supplier may then subsequently choose to submit registration transactions to move to a preferred MP Id. This design principle was then used to develop and baseline the Non Functional Requirements for the CSS and for other industry participants that would need to interact with the CSS system.

The gas sector typically does not allow reassignment of a Market Participant Identity (MP Id) to another organisation other than in the event of a novation [or trade sale], and therefore industry participants are currently able to rely on notifications from Central Gas Systems such as UK Link operated by the Central Data Service Provider (CDSP) as a consequence of Registrations to update their own systems without individual action. This approach is defined in the Data Services Contract (DSC) document [‘Verification of Market Participant Identity’] which governs the process for assigning the gas Market Participant Identity. Outside of novation and trade sales, re-assignment is not utilised in UK Link systems, therefore fundamental changes are required to UK Link systems to prevent the inappropriate disclosure of information to parties. Changes within UK Link systems would be required in order to enable re-assignment of the MP Id and ensure that systems and processes will recognise effective dates when a given MP Id is assigned to a different organisation.

This paper sets out alternative options to enable cost efficient management of SoLR events following CSS Go Live, CDSP systems and to industry participant systems. Given the proximity to the CSS implementation, which itself requires material change to industry participants, the focus of this paper is to minimise impacts to the respective organisations’ CSS Programmes and systems, whilst still maintaining an effective SoLR process that does not expose consumers or the industry to increased costs.

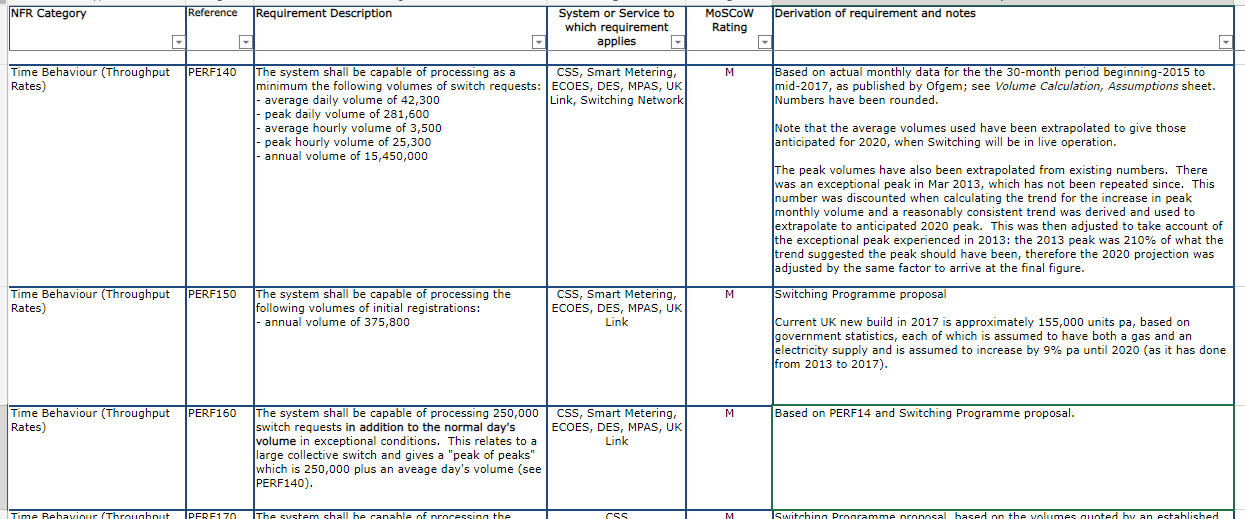
[One further consideration that this paper highlights is the need for Registration of the Shipper entity, which is necessary for UNC Settlement processes to work without manual intervention.]

**This paper has been produced by Xoserve, but any assertions with respect to any other party will need to be validated with these parties.**

# Problem Statement

Design Baseline 4 (DB4) set out that in the event of a SoLR that this would be enacted by re-assigning the failed Supplier identity to the appointed Supplier in the SoLR process. This fundamental change was not identified by a significant number of gas sector parties.

The current design for CSS is based upon a series of Non Functional Requirements (NFRs). These NFRs set out the volume of Switches that CSS will be required to process:



One of the assumptions that defined the above volumes was that in the event of a SoLR, the Market Participant Identity would be re-assigned. This aligns to the electricity model where this *can* be utilised.

A change at this stage to the NFRs would be fundamental to the CSS design, and so therefore has been discounted by the Ofgem Programme. The Ofgem decision indicated that this approach was discounted due to the cost and time delay to the Ofgem CSS Programme that would be caused if this was to be implemented. It would involve significant re-testing of the CSS and other industry systems to meet increased NFRs (particularly re-running System Integration Testing (SIT) Non-Functional Testing) as well as additional system costs to increase the capacity of the CSS NFRs.

The necessary changes to allow re-assignment of the failed Supplier’s Market Participant Identity in [Central Gas Systems] was investigated under DSC Change Proposal XRN5144 “Enabling Re-assignment of Supplier Short Codes to Implement Supplier of Last Resort Directions”. The changes required to the UK Link system were not insignificant, but also impacted Distribution Networks and potentially Shippers – if the use of MP Id Re-assignment was mandated.

# Potential Impact

It is important that all energy industry participant systems are able to record Registrations and recognise the relevant Supplier entity. The importance for doing so varies between each Market Participant.

Currently within the gas sector the UK Link system masters the Registration data. From CSS Implementation, CSS will master Registration data.

UK Link systems currently allow the retrospective recording of the Supplier identity. This is performed using the Generic organisation Entity Amendment (GEA) file. When a SoLR is appointed, the Supplier Effective Date is recorded in UK Link systems using this functionality, which in turn issues notifications to the relevant users of this information – specifically UNC parties, but this information is also available to parties accessing information services from the CDSP. In a scenario where the Shipper and Supplier are independent entities, following a SoLR, the Shipper is required to manually intervene to apportion the Settlement invoices to the failed Supplier periods and the SoLR, this is required to continue until Supplier and Shipper Registration data is updated in UK Link systems.

The gas sector has not typically reassigned Market Participant Identities, therefore in order to enact the ability to do so will require a fundamental change to gas participant systems.

At present this is managed with a different Market Participant Identity and effective start / end dates within the organisational history. The proposed reassignment of the Market Participant Identity post CSS will not issue individual Meter Point level notices to users, including the Gas Retail Data Agent (which is the REC interface to the UK Link system)and therefore requires the Central Gas Systems to generate these notices to Distribution Networks and Independent Gas Transporters. It also requires amendments to UK Link systems to ensure that there is a clear demarcation of responsibility prior to and following the appointment of an alternative Supplier entity after the SoLR effective date. This distinction regarding the start and end of a given organisation’s responsibility is necessary to prevent inappropriate release of Protected Information (as defined under the Uniform Network Code (UNC)) to the wrong Market Participant.

Shippers have a significant role within the gas sector. Under DB4 it is not proposed to re-assign the Shipper identity, in which case a Registration transaction would still be required to effect the Change of Shipper via CSS. Until such a transaction occurs then Settlement processes have significant manual intervention by the CDSP and the Shippers currently.

Where both the Shipper and Supplier fails, currently the SoLR is appointed and the Deed of Undertaking is invoked so that the SoLR takes on the responsibilities of the terminated Shipper. This requires the CDSP to manually issue invoices to the Supplier until such time as the Registration activities have been undertaken to move the SoLR portfolio to the Shipper chosen by the SoLR.

Options

The CDSP undertook a preliminary feasibility assessment of options. This preliminary assessment is included as an Appendix for information. Any options discounted during this feasibility assessment are listed but are not explored in further detail within this paper. The reasons why an option has been discounted is summarised in the Appendix.

The remaining options that the CDSP [and Ofgem] have considered to address the problem statement are detailed below:

1. MPID / Supplier Short Code Re assignment as per DB4 baseline / implement XRN5144 (shown as Option 1 in the table in the Appendix)
2. Submission and processing of switch requests by the SoLR over a number of days, but below the CSS NFR daily Peak of Peaks, to give effect to the SoLR (shown as Option 3b in the table in the Appendix)
3. Retain separate process within UKL for maintaining Supplier in the event of SoLR event – retrospectively insert a break into the UKL history AND revert to original Supplier Id for SoLR (shown as Option 4a in the table in the Appendix).

Further detail on the options and the risks presented are included later in the paper.

## Option 1 – MPID / Supplier Short Code Re assignment as per DB4 baseline / implement XRN5144

Summary

This option would require changes to gas industry market participants. This would not require a change to CSS Design.

XRN5144 was raised to effect the changes necessary to the UK Link system. This change would amend some of the key tables within the UK Link system to apply start and end dates to specific organisation entities in relation to a Market Participant Identity, ensuring that such parties were only able to access data to which they were entitled. This change would also mean that Market Role as well as the Market Participant Identity would need to be used to determine an organisational entity. It is likely that this change would also need to be applied to other gas market participant systems. This would also generate notification to Transporters when there was a change in Supplier entity and Market Participant Identity relationship. It was also proposed that the Settlement processes would be amended to create a variance in the Shipper invoices for the respective Suppliers[, this may need to be descoped as part of the CSSC Implementation].

When this option was proposed to DSC Customers all Large Transporters indicated that there would be significant changes to their systems, and rejected the proposed change. Shippers that responded indicated that any support of the change was conditional upon re-assignment of the Market Participant Identity not being mandated.

The ROM Cost assessment for implementation of this change within the CSSC Programme timescales was [£1M (+/- 50%)] for changes to UK Link systems. This figure did not take account of the changes to other industry systems, and these would be additional costs above the UK Link cost quoted above. **Industry participants have not shared their estimated implementation costs of this option.**

Impacts:

The CSS system has been built to allow MP Id reassignment. UK Link does not currently allow this, so would require significant change. Whilst this change can be implemented within the timescales of the CSS Consequential Change (CSSC) Programme it would be a material change, and would require significant testing given the nature of the changes to the UK Link systems. It could be implemented at the same time as the CSS Go Live.

Distribution Networks – who have limited or no change programmes associated with the CSS Implementation would need to implement changes no later than the first SoLR post CSS that reassigns the Supplier Market Participant Identity – this is a risk given that it is not known when the first SoLR will need to be appointed post CSS go-live.

## Option 2 – Submission and processing of switch requests by the SoLR over a number of days, but below the CSS NFR daily Peak of Peaks, to give effect to the SoLR

Summary

This option uses the Ofgem notice of the SoLR Appointment to define the effective date of the SoLR appointment, and requiring the subsequent submission of Registration transactions (switch requests) by the SoLR to effect the change to the appointed Supplier. The CSS system would receive Registration transactions, in accordance with agreed volumetrics, to manage the transfer of the [terminated] Supplier portfolio to the appointed Supplier. This transfer may be required to happen over a number of days where the number of Registerable Meter Points in the failed Supplier portfolio exceeds the available number of Switch transactions through CSS and UK Link systems. It is anticipated that the number of switch requests submitted on any given day (average daily switch requests + switch requests to give effect to the SoLR) would not exceed the daily Peak of Peaks volume set out in the CSS NFRs.

Ofgem have indicated that the effective date of the SoLR would apply to the legal notice served as part of the appointment of the Supplier of Last Resort, and not the date recorded in the CSS system (and UK Link systems). From a Settlement perspective, until the Registration is made to align to the SoLR the Settlement processes have significant manual intervention. This option would reduce the period of such intervention, but Shippers and Suppliers would need to ensure that their interactions, including Settlement processes, takes account of the date set out in the legal notice issued by Ofgem and potentially NOT the date recorded in CSS and UK Link systems.

Provided that the allowable volume of Registration transactions were consistent in CSS and UK Link systems, this option would mean that the Supplier effective dates would align between the systems, and any Change of Shipper requirements could be undertaken as part of this Registration transaction. The ROM Cost of this option would be less than Option 1, but this option has the expected benefit that it has less impacts on other industry participants.

Impacts

At present, the Supplier update can happen retrospectively in UK Link systems, but the SoLR effective date is applied consistently when this is set in UK Link systems. In this option, if the portfolio size exceeds the daily Registration transaction volumetrics that the CSS; the UK Link system OR the SoLR’s system can accommodate the SoLR the recorded effective date will vary within the portfolio (i.e. that the Supply Start Dates in CSS will be different for different proportions of the customers taken on by the SoLR (e.g. some will have a Supply Start Date on the SoLR Effective Date, some will be on SoLR Effective Date +1 etc.)).

Transporters receive amendments to Shippers and Suppliers within their portfolio files from the CDSP, this is currently received retrospectively. Under this option the period where an incorrect Supplier could be recorded is minimal, and probably shorter than the existing period whilst awaiting the new Shipper to generate the relevant Supplier appointment transactions, consequently this option is probably of limited impact to Transporters – but it should be noted that some emergency processes may rely on the field force being informed of the SoLR so that there is continuity of such services – such as Post Emergency Meter Work.

The cost of this option would depend upon a number of factors – not least outcomes of UK Link performance testing, and any performance tuning to reach existing obligations. It will also depend on what proportion of the 250,000 additional peak day Switches (PERF160) through CSS would be required to be processed in gas versus electricity. At the moment the assumption provided by the SI is that 45% of this value may be undertaken by UK Link systems on a gas peak day. It would be expected that this volume would be increased in the event of a SoLR under this option.

Performance testing has completed and we have proven we can meet the current requirements as stated. Once it is confirmed in the event of a SOLR the number of transactions to be processed we may need to re-test numbers if greater than current.

This option relies on the SoLR party being able to generate the requisite number of Switching transactions.

## Option 3 – Retain separate process within UKL for maintaining Supplier in the event of SoLR event – retrospectively insert a break into the UKL history AND revert to original Supplier Id for SoLR

Summary

This option proposes that the Supplier Market Participant Identity can be re-assigned, but in order to try to minimise the impacts to the gas sector, the UK Link system will retain the GEA File to update the Supplier identity and utilises this to insert an entry into the Supplier history for [D-1 from the SoLR Effective Date], and then the Market Participant is then re-instated with effect from the SoLR Effective Date. The benefit of doing so is that the history in UK Link system is broken so that there is no need to amend the structure of the UK Link system tables to record the different start and end dates entities as the Supplier in order to eliminate the risk of inappropriate data disclosure. Further, it is expected that the impact to other industry parties would be minimal as all relevant dates would align – i.e. the effective date of the legal notice of the SoLR and the Registration on both CSS and UK Link systems would align. Transporters would receive notices of the appointment of the new entity. This option would however require the existing MDD processes to be amended to ensure that Market Participant re-assignment can take effect – this will impact a number of industry participants.

Impacts

No impacts to the CSS system. This will require detailed impact assessment from the UK Link CSSC Programme as it will require that the GEA is retained – whereas this was intended to be decommissioned at CSS Implementation for the purposes of Supplier appointment. This will require detailed assessment to the UNC text changes proposed.

[This option will need to be assessed by gas sector participants. The benefit of this option is that it gives a clear demarcation to participants about the effective date from which the SoLR takes effect, but it does require parties to be able to amend the entity associated with a given MP Id. If gas sector parties are unable to do so, then this option will be discounted [?]

# Current Position

Do nothing is not an option for the gas sector. DB4 baseline indicates that the Supplier Identity should be reassigned. To implement this design will require material changes to gas sector processes and systems.

# Summary Risk Position

Any options that impact the CSS system have been discounted, but the options have been assessed against a broader risk to the CSS Programme, to make the consequential changes to the UK Link system, impacts to Settlement, increased financial exposure to the industry and any impacts to the consumer.

This has been assessed on an impact assessment only. Since any options must be implemented within the CSS Programme timescales a likelihood / timescale for maturity assessment is not required.

Having considered the impact to the following the overall risk score assigned to each option is as follows, where the lowest number represents the best option.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Impacts listed 1-3 – smallest impact score 1 | Option 1: MP Id Reassignment | Option 2: Submission and processing of switch requests over a number of days by the SoLR | Option 3: Retain UKL Process to insert temporary Supplier record | Comments |
| Impact to CSS System | 1 | 1 | 1 | No impact to CSS build – all such options discounted |
| Impact to CSSC Programme (UKL) | 3 | 2 (potential upward NFR pressure on UKL) | 2 (IA to retain GEA, but minimal impact expected) | Significant build and testing to accommodate Supplier Re-assignment. If required, NFR change would require extended PT / tuning. |
| Impact to broader Switching Programme | 2 (option would require gas industry testing) | 1 | 1 |  |
| Impact to gas sector parties systems and processes [within Programme timescales] | 3 | 1 | 2 | Participants have indicated that this would have material impacts if MP Id reassignment is mandated. Use of Registration processes should reduce impacts – provided users can recognised legal SoLR notice where EFD is important. |
| Impact to gas sector Settlement | 2 (XRN5144 includes variances, but may not be considered mandated within CSSC timescales, still requires Shipper identity amendment) | 1 (minimises settlement period – requires intervention between SoLR EFD and Registration EFD) | 2 (continued manual intervention, which will be required until Shipper identity is amended) |  |
| Increased financial industry exposure | 1 | 1 | 1 | No options increase industry exposure above existing levels. |
| Impact to consumer | 2 (costs will be borne eventually by the consumer) | 1 | 1 |  |
| TOTAL | **14** | **8** | **10** |  |

# Recommendation

Considering the above assessment and the factors considered in this paper – and subject to industry impact assessment – this proposes that Option 2 Submission and processing of switch requests by the SOLR over a number of days, but below the CSS NFR daily Peak of Peaks, to give effect to the SoLR, which could result in recorded effective from date over an extended period is considered the preferred option.

This option relies upon the industry participants that rely on the effective date of the Supplier to be taken from the SoLR notice, or for the impact to be negligible due to the proximity of the Registration Effective Date to the SoLR Effective Date.

This is the only option that allows the Shipper Identity to be updated at the same time as the Supplier Identity.

This reduces the period of manual intervention for Settlement as the Registrations will need to be effective within a short period of the Effective Date. This option relies upon the appointed Supplier being able to generate the volume of Registration transactions specified and manage the submission of these in the timescales specified as part of the SoLR event.

Appendix A: Preliminary Option Assessment