

Ofgem Switching Programme Overview

Disclaimer – these slides have been prepared to facilitate discussion at the July 2017 DSC Change and Contract Management Committee and Distribution Workgroup meetings. They are not the views of any party nor do they seek to be a complete and accurate reflection of all the work under the scope of the Ofgem Switching Programme.

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Link to EDAG slides 22 June 2017

https://www.ofgem.gov.uk/system/files/docs/2017/06/edag_13_presentation_0.pdf

Items outside the scope of OSP

- Out of scope are:
 - Supply points connected to the NTS
 - Settlement (and its supporting activities)
 - The supply point register and the processes by which data is maintained
 - MPRN creation (leading to the corresponding record on the Central Switching System), this is retained by GTs and iGTs.

Ofgem Switching Programme - RFI

- **Reform package 1:** Enhance existing

From the Strategic Outline Case

- **“Reform package 2:** The switching functionality that currently exists within separate gas and electricity switching services would be replaced by a single central switching service (CSS). This would harmonise the gas and electricity switching processes where appropriate. In gas, suppliers would initiate a switch, rather than shippers as is currently the case. **Should a supplier wish to object to a customer loss, they would have to develop an automated mechanism to do so on an instant basis.** This option would allow a switch to be completed by the next calendar day where a switch request has been confirmed by the CSS by 5pm.”

Market Intelligence Service

From the Strategic Outline Case

“Reform Package 3: in addition to the changes outlined in Reform Package 2, the currently separate gas and electricity enquiry services would be superseded by, or made accessible through, a single market intelligence service, allowing users to look up information relevant to a particular switch, that would cover both gas and electricity data. As with Reform Package 2, this option would allow a switch to be completed by the start of the next calendar day. We expect that it would bring additional benefits for the reliability of switching as more industry switching data would be accessible via a single source, enabling easier matching and reconciliation.”

Retail Energy Code

From the Strategic Outline Case

“1.16 RP2 represents a more significant level of intervention as it involves transferring the switching functions currently provided by UKLink (gas) and MPRS (electricity) to a new CSS, procured by DCC. The aim of this change is to harmonise the switching arrangements across gas and electricity by operating them on a single platform. The new CSS would be designed to enable suppliers - wherever appropriate - to process switching transactions 'next day'. Governance of the CSS would be set out in the Smart Energy Code (SEC) or a new Retail Energy Code (REC): this will be decided later in the Blueprint phase.”

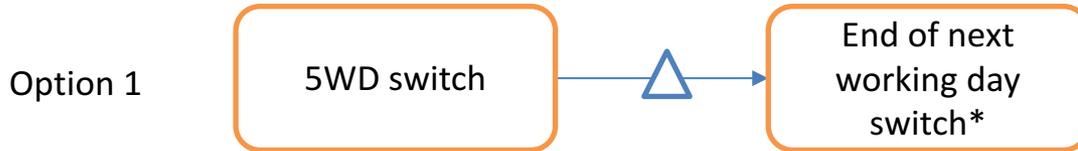
- We are leaning towards recommending implementation of next-day switching functionality on a CSS.
- From a consumer perspective, and to support reliability, we expect to establish a transitional period that would provide reliable one week switching with a glide path towards next-day.
- Suppliers can go faster if they want. The market more generally would move to next day switching when we have confidence on reliability
- There are options for how this glide path is achieved and whether the ultimate goal is end of next working day or start of next calendar day and how to determine when we reach that goal.

- We have developed a new option which is based on RP2 (referred to as RP2a). The main change is that it has a 1 working day objection period for domestic consumers and 2 working day period for non-domestic.
- For domestic, RP2a delivers a minimum switch time of end of next working day switching. For non-domestic, it is end of the following working day.
- Our initial assessment is that RP2a reduces cost and delivery risk and focuses on reliability while providing a material improvement to speed from the start.
- We are also considering the potential to phase RP2 and 3 to make sure that reliability concerns are addressed from the outset. For these two reform packages, the systems would operate instant objections and be “start of next calendar day capable”.
- Having taken into account your views today and the views of SPDG on 4 July, we propose to return to EDAG on 19 July with our updated thinking. We will then be making our recommendation to the Programme Board at the end of July.

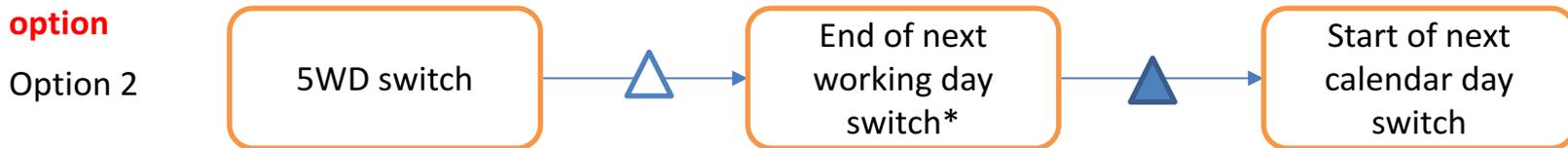
RP2A

- The cost of operating instant objections and calendar day working are significant, including when set against the currently identifiable direct benefits.
- We have therefore developed a revised version of RP2 (known as RP2a) that allows a 1WD objection period for domestic and 2WD objection period for non-domestic consumers during the reliability buffer.
- We note that there are options on retaining the 1WD/2WD functionality beyond the removal of the transitional period (which would give end of next working day switching for domestic consumers) or, subject to a decision making process, moving to start of next calendar day switching.

Summary of RP2a phasing options



Preferred option



Key

-  Light touch assessment
-  Formal review

* End of second working day for non-domestic consumers

Why we propose to include Option 2 in the September Blueprint consultation

- We have identified two types of review that could be undertaken as the gateway between phases:
 - *Light touch assessment*: Move to next phase when defined criteria are met eg around the reliability of the switching process.
 - *Formal review*: Requires detailed analysis and consultation before deciding to move to the next phase
- We think that a light touch review is proportionate for the move from 5WD to end of next-day working switching. As described later in this slide deck, we are not expecting there to be a need to change central systems to facilitate this behavioural change and we have taken account of the costs to other market participants as identified from the RFI in the impact assessment. We expect to define criteria that allow this move to be made once it is clear that the risk to consumer engagement has been mitigated.
- A move to start of next calendar day switching will require changes to industry code rules and systems and will require additional capex and higher operating costs. Before making this move we therefore propose that a formal review, focusing on suppliers, is undertaken.

Switching event example

- Assumes no objection by incumbent Supplier
- Process switch request includes all validations. These need to be passed to enable the switch to proceed.
- The incoming Supplier can cancel a switch request up to Gate Closure ([17:00]hrs at D-1)

Example of a switching event

Gaining Shipper

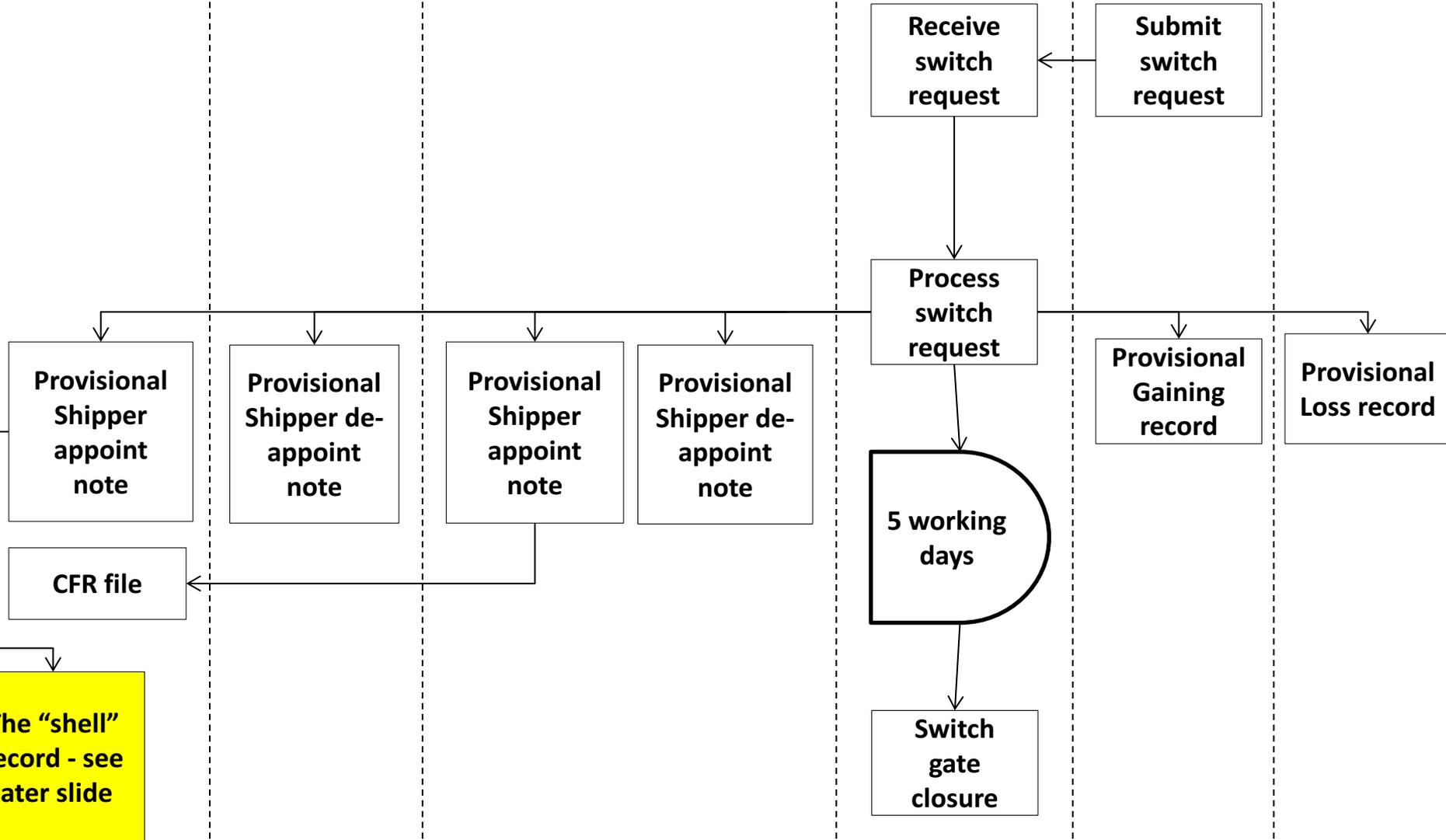
Losing Shipper

Xoserve (UK Link)

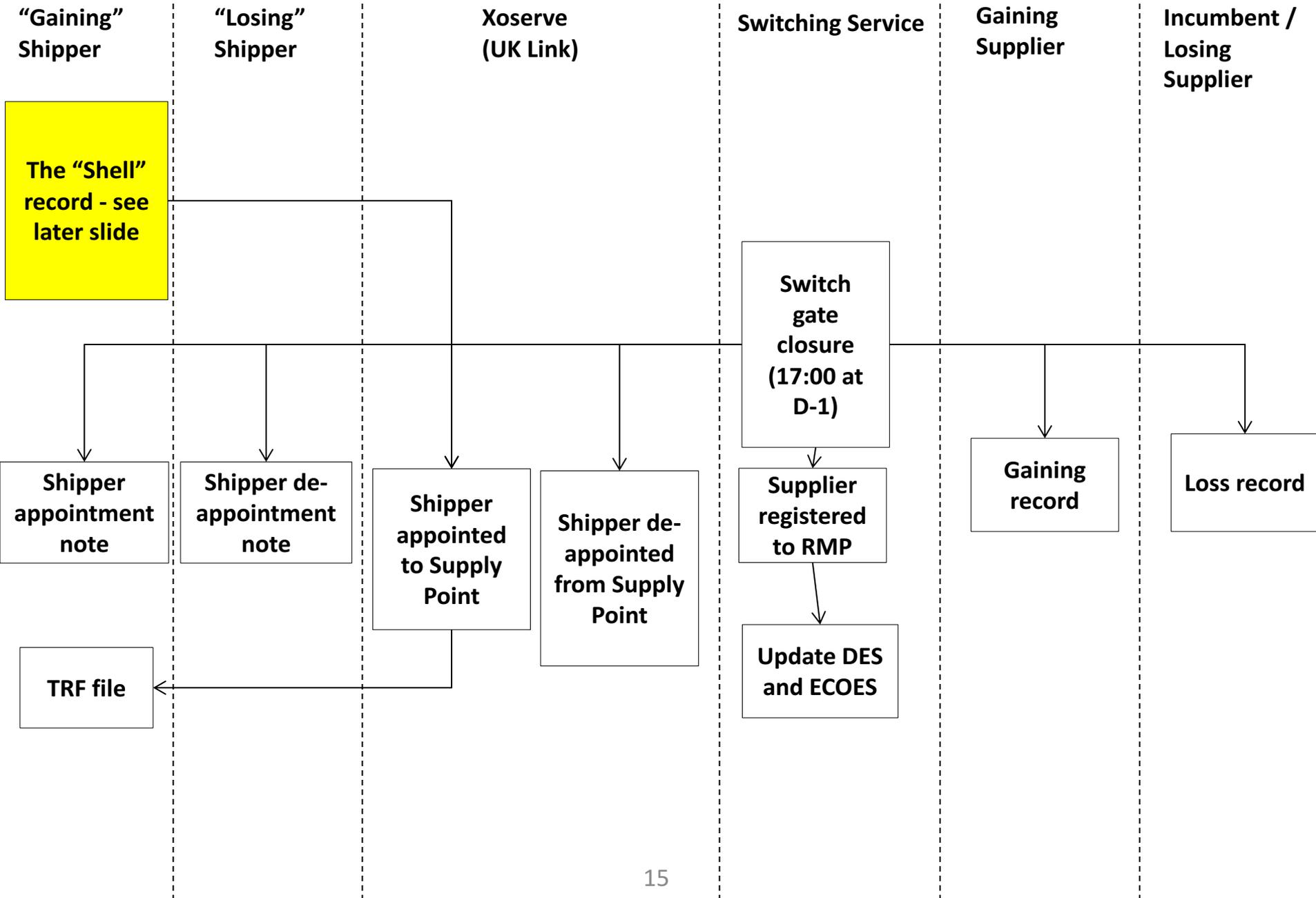
Central Switching Service

Gaining Supplier

Incumbent / Losing Supplier



Example of a switching event



Points for consideration regarding arrangements for Supplier switching via CRS and Shipper appointment / de-appointment to a supply point under the UNC, via CRS notice

There will be a table in the CRS to hold the supplier:shipper relationship (note this can be a many to many relationship).

When the supplier submits a switch request they include the shipper id. This is relationship validated in the CRS (by reference to the table).

The Shipper must approve their position on the table and any amendments to it. This is essential to satisfy the Shipper that they will not be incorrectly appointed to a supply point.

New entrants (suppliers and shippers) need new rules to manage entry e.g. a supplier cannot be a party to the [REC] (or cannot register supply points) without a Shipper present.

Market exit needs to ensure that a shipper / supplier cannot exit without withdrawing from all Registerable Measurement Points and Supply Points

The benefits to this approach include:

- Timing of “registration” is exact across the registers
- Ensures that Shipper : Supplier commercial relationship is held with regard to customer (retail) and gas (wholesale) settlement liabilities

Implications for the OSP on Shipper and UK Link activities

- The “Shell” record
- Obtaining the transportation charges for Larger Supply Points
- Confirmation period

The “shell” record

- The switch request leads to the appointment of the Shipper to the Supply Point.
- Currently the Shipper submits the Class, and, where Class 1 or 2, the SOQ and other settlement data with the confirmation (establishing the Supply Point to their requirements).
- The Supplier switch request will not include any settlement data (Class, SOQ etc)
- To enable the incoming Shipper to create the Supply Point as they require, the incoming Shipper will be able to create a “shell” record of the Supply Point prior to D.
- In future, where the switch is next day, or where a Shipper does not create the “shell” record, the existing settlement parameters will be carried forward. The new Shipper can then update these after D, if required.

Obtaining transportation charges for Larger Supply Points

- Currently transportation charges are available via the Supply Point Enquiry and / or nomination process.
- Whilst these may both still exist in the future they are not suitable for next day switching.
- New solutions for obtaining this data are to be developed with full industry engagement.

Confirmation period

- Whilst not impacted by the first phase of RP2, next calendar day switching will impact the confirmation period.
- The extent of the impact needs to be understood with possible new requirements for the Gemini system e.g. more frequent gas nominations

Next steps

- Ofgem are continuing to present their RP2a proposal – the next EDAG is 19 July
- Ofgem will consult on RP2a later in 2017
- Question – should a UNC Review Group be convened as the means for progressing the OSP consequential changes to the UNC and UK Link?