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Ofgem  
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London SW1P 3GE

3 November 2017

Dear Rachel,

We welcome the opportunity to comment on your consultation 'Delivering Faster and More Reliable Switching: proposed new switching arrangements'.

As you are aware, ELEXON (as 'BSCCo') is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and systems that support the BSC and EMR settlement arrangements. The proposed faster switching arrangements will not impact BSC central systems, but there are potentially minor changes to the Non Half Hourly Data Aggregation (NHHDA) software which we maintain on behalf of suppliers. The current end-to-end change of supplier process for electricity is shared across the BSC and MRA, so we are particularly interested in the future governance aspects of the consultation.

### **On the future of registration data**

We are supportive of the new harmonised electricity and gas switching processes delivered by a new Centralised Switching Service and governed by a new Retail Energy Code. We note that, under the new arrangements, the Metering Point Administration Service (MPAS) will endure, but the Master Registration Service (MRA) which governs this service, will be subsumed, in phases, into the new Retail Energy Code (REC). The MPAS (and its subset, the Supplier Meter Registration Service (SMRS), which defines the settlement registration requirements) has remained substantially unchanged since it was introduced in 1998 to support retail competition. Other than supporting the switching process, which will in future be facilitated by the CSS, the majority of data held within MPAS was designed to support electricity settlement requirements, with some additional network and green deal requirements. We believe that the advent of the CSS and REC comes at the right time to reassess how registration services (and their governance) should best be modified to support the non-retail – e.g. settlement and networks – requirements for metering point data. This seems particularly important because, after twenty years of relative stability of industry registration data, new thinking is needed to support the raft of innovations and technologies that are currently emerging. We ourselves are assessing the BSC architecture to ensure that we can provide the flexibility that the market needs.

As Dermot Nolan made clear in his speech to the Energy UK annual conference on 19 October, the industry stands on the verge of radical changes on multiple fronts. These changes include the mass roll-out of DCC-serviced smart meters, Half Hourly Settlement (HHS) reforms<sup>1</sup>, increased uptake of storage and electric vehicles, local (DSO) balancing, peer-to-peer trading and innovative customer service functions. We have been working closely with Ofgem, National Grid and BSC Modification

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<sup>1</sup> For which ELEXON is designing and assessing Target Operating Models

working groups (in particular P344<sup>2</sup> and P355<sup>3</sup>) to provide fair and open access to non-traditional providers such as independent aggregators (both DSR and small-scale generation)<sup>4</sup>. These Modification Proposals highlight a need to reform industry registration data and further reform will undoubtedly be needed to support additional innovations, including those identified above. We agree that the "thin" CSS proposed by the switching programme recognises that the registration data required for settlement and network operation sits better outside the CSS.

Furthermore, the settlement arrangements and design for HHS will be key drivers of the registration services of the future. HHS will be a key enabler for innovation and new market entrants, because of its ability to provide access to more granular meter data, with options to do so through a central data repository or service. Linked with the right registration information this could support new markets in demand side response, DSO-TSO balancing, storage, peer-to-peer trading, electric vehicles and unlock the benefits to the end consumer and GB plc.

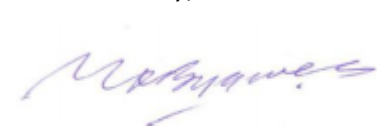
Whilst suppliers will be the key stakeholders for the CSS, the governance of the wider registration data should provide open and fair access to innovators and providers of new service types. It should also leverage existing governance appropriately in the interests of simplifying code governance. The BSC seems a natural home for reforming registration data in support of new ways of trading energy and encouraging wider participation in the balancing mechanism. We are keen to explore our thinking further with Ofgem.

### **On the establishment of a new RECCo**

We believe that it is possible to avoid establishing a new RECCo (and the costs and timescales this requires) simply to procure services like code administration by making the RECCo function a part of an existing entity. Subject to a change to our vires, ELEXON would be a good candidate for the RECCo because of the service that is valued by our customers (as evidenced by Ofgem's and our own independent code administrator customer satisfaction surveys), our independence from industry stakeholders and from commercial interests (as a not-for-profit service), our record on delivering industry change, the synergies between wholesale and retail and the importance of ensuring accurate settlement and billing of customers' energy usage.

If you would like to discuss any areas of our response, please contact Mark Bygraves, Chief Executive, on 020 7380 4137, or by e-mail at [mark.bygraves@elexon.co.uk](mailto:mark.bygraves@elexon.co.uk).

Yours sincerely,



Mark Bygraves  
CEO, ELEXON

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<sup>2</sup> Project TERRE implementation into GB market arrangements

<sup>3</sup> Introduction of a BM Lite Balancing Mechanism

<sup>4</sup> Under the current proposals for P344 and P355, ELEXON will need to know the registered supplier for specific metering points involved in aggregation services.

| Ref   | Question / Response   |
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| <b>Chapter: Two</b>   |   |
| <b>Q1</b>   | <b>Do you agree with our assessment that RP2a provides the best value option to reform the switching arrangements for consumers and with the supporting analysis presented in this consultation and the accompanying IA?</b>  |
| <p>Yes. We agree that RP2a provides the best value reform option on the basis of the impact assessment, as published. The government's price cap could change some of the assumptions in the impact assessment, for example about switching rates and estimated consumer savings, but we note the finding of Ofgem's 'sensitivity analysis test 2' that 'if the financial rewards from switching were to be halved, there would still be a strong economic case for implementing RP2a'. We also note that the cap is expected to be lifted within the first five years of the 18 year appraisal period.</p> |   |
| <b>Chapter: Three</b>   |   |
| <b>Q2</b>   | <b>Do you agree that CSS should include an annulment feature which losing suppliers can use to prevent erroneous switches? Please provide evidence alongside your response. If you are a supplier, please support your answer with an estimate of the number of occasions over the past 12 months when you might have used such a feature had it been available.</b>                      |
| <p>We are supportive of any reforms that avoid the misallocation of energy to suppliers. Prevention is better than correction from a settlement perspective, as any unravelling of agent appointments by suppliers can lead to data quality problems.</p>   |   |
| <b>Q3</b>   | <b>Do you agree that CSS should always invite the losing supplier to raise an objection, even where the Change of Occupancy (CoO) indicator had been set by the gaining supplier? If you are a supplier, please support your answer with evidence of the number of times in the past 12 months that you have raised an objection where the Change of Tenancy (CoT) flag had been set.</b> |
| <p>The issue that this proposal seeks to address is a commercial one, so not immediately relevant to settlement. However, we are supportive of measures that address potential issues earlier rather than later, when the agent appointment impacts become more difficult to disentangle.</p>   |   |
| <b>Q4</b>   | <b>Do you agree that use of the annulment and CoO features should be backed by a strong performance assurance regime? Please comment on ways in which such a regime could be made most effective, and back up your response with evidence.</b>  |
| <p>Both features have the potential to be misused, so we support a strong performance assurance regime. Reporting of supplier usage of these features should be built into the CSS design</p>   |   |
| <b>Chapter: Four</b>  |   |

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| <b>Q5</b>  | <b>Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?</b>   |
| Suppliers are better placed to comment on the costs of supporting multiple communications networks. If a new communications network capability is selected, then a large number of supplier agents (including Non Half Hourly Data Aggregators, for whom we provide software) will need to support this new network, solely for the purpose of receiving notifications of supplier losses. This would introduce additional cost. As some registration data is needed for settlement purposes, we will need to be informed about the proposed network arrangements. For example, in our Performance Assurance Framework Review we are already investigating whether we could use data sent via the Data Transfer Network to help Parties assess risks to settlement.                    |   |
| <b>Chapter: Five</b>   |   |
| <b>Q6</b>  | <b>Do you agree with our proposal to have a three-month transition window (aiming to protect reliability) during which time suppliers have to meet additional requirements if switching in less than five working days? Please support your answer with evidence.</b> |
| We would be supportive of any measures to de-risk the transition to the new processes. Suppliers and their agents will have a better view of whether introducing new processes, only for Suppliers to amend them within three months, is a risk in itself. Ofgem will “monitor the effectiveness of the new arrangements at improving reliability” over the transition period. If performance indicates that the transition period needs to be extended, Ofgem will need to determine the length of the extension. So the transition period needs to allow time both for the monitoring of issues and gaining an understanding of what is required in order to resolve them. Again suppliers will have a better view of whether three months is long enough for both these activities. |   |
| <b>Q7</b>  | <b>Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within five working days of the contract being entered into (subject to appropriate exceptions)? Please support your answer with evidence.</b>  |
| Yes. Although it is not a settlement issue, we understand that suppliers need to ensure that for legacy pre-payment meters, the key or card needs to be programmed for the correct meter (requiring data from Meter Operators) and to be received by the customer in time for their supply start date, in order to enjoy the benefits of their new tariff. This could require a longer lead time. Suppliers may have other examples of cases where longer lead times are desirable.  |   |
| <b>Chapter: Eight</b>  |   |
| <b>Q8</b>  | <b>Do you agree with our proposal to create a dual fuel REC to govern the new switching processes and related energy retail arrangements?</b>   |
| Yes. The switching processes should be governed by a dual fuel code, but it does not follow that   |   |

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|     | <p>this should be the SEC, as the only existing dual fuel code. We agree that creating a new code would avoid the need for a full review of the “objectives, governance structure and charging arrangements of the SEC”. Market sectors such as unmetered supplies, advanced metering and legacy half-hourly metering are likely to be better served by a code that is not as smart-centric as the SEC. We also agree that the SEC provides governance for a “hub-and-spoke” set of interactions, whereas the REC, like the BSC, needs to govern both “hub-and-spoke” and “peer-to-peer” interactions, so is very different in scope. We agree that the longer term objective should be to simplify industry codes and that the REC should subsume those parts of the MRA, SPAA and GDAA that are appropriate to a retail code. As in our response to Question 9 below, we recommend that other obligations (e.g. relating to settlement and network requirements) would be better subsumed into other existing codes, including the BSC.</p>  |
| Q9  | <p><b>Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the Switching Programme?</b></p>  |
|     | <p>We agree with the essential provisions set out in ‘Figure 7: REC Scope’. We also agree that some of the subjects identified in the wider scope, such as prepayment and vulnerable customers, would benefit from harmonisation across electricity and gas and inclusion in the REC. In other areas the distinction between retail and settlement/networks is less clear and need further consideration on where they best fit into the wider industry governance. For example, agent appointments are identified as being within the longer term scope of the REC, but data aggregators perform no function outside the settlement process so are better left governed under the BSC. Data collectors and meter operators perform dual retail and settlement functions. Data collectors also process readings that are not used for settlement purposes and use a BSC-defined ‘deemed reading’ process for readings which are used for settlement, rather than retail purposes. It is important to recognise the importance of the end-to-end (or ‘meter-to-bank’) settlement processes which ensure that Supplier volumes are accurately allocated. There are also areas, such as new connections and disconnections, where the benefits of harmonising electricity and gas processes are less clear. A common process for recording new connections and disconnections may be beneficial, but the operational processes (as undertaken by network operators and meter asset managers) may differ due to ‘real world’ differences between the two fuels. We would not recommend harmonisation for the sake of harmonisation, but only where there is demonstrable benefit.</p> <p>The Meter Point Administration Service (MPAS) will endure following the advent of the CSS. The BSC defines a Supplier Meter Registration Service (SMRS), which is that subset of the MPAS which relates to the data required for settlement purposes. There are priority provisions in the MRA that ensure that the BSC requirements for registration data are fulfilled by network operators as providers of the SMRS service. Whilst these priority provisions could be moved from the MRA to the REC, there is an opportunity to review the governance of the residual MPAS data, once the Supplier-MPAN relationship and the address are mastered in CSS. A majority of the data items held in MPAS relate to settlement, so the obligations in respect of their population and maintenance could move to the BSC rather than the REC.</p> <p>We note (in para 1.30) that the Switching Programme is working closely with the half-hourly settlement project team to identify and address links and dependencies between the two pieces of work. It would seem prudent for data relating to agent appointments and settlement parameters to</p> |

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|            | <p>remain under MRA governance, pending clarity on the half-hourly settlement design, to avoid nugatory effort and costs in transferring obligations into the REC.</p> <p>In summary, beyond the essential provisions of the REC, a considerable amount of work is likely to be needed to bring gas and electricity requirements together (where it is beneficial to do so) and to separate retail and settlement/network data and processing obligations. We will, of course, be happy to assist Ofgem in this task.</p> <p>As the full transition is likely to extend beyond the CSS go-live date, there needs to be a co-ordinated approach to driving the exercise to its conclusion. We believe that the transition will be more efficient, if principles around retail, settlement and networks and electricity-gas harmonisation are established at the outset.</p> <p>We would like to see REC governance being as open as possible to allow fuel-specific changes to be made in the most cost-effective way and to allow efficient access to data and REC change processes for settlement and market innovation purposes.</p> |
| <b>Q10</b> | <p><b>Do you agree with our proposal to modify the DCC's licence, in order to extend its obligation to include the management and support of the DBT and initial live operation of the CSS?</b></p>  |
|            | <p>Yes. This will ensure continuity and de-risk the transition to live operation.</p>  |
| <b>Q11</b> | <p><b>Do you agree that there should be regulatory underpinning for the transitional requirements and that this should be contained in the REC?</b></p>  |
|            | <p>Yes. This approach was taken successfully for the British Electricity Trading and Transmission Arrangements (BETTA), albeit in an existing code, the BSC, rather than a new one, like the REC. Transitional arrangements, obligations in relation to testing and the provision of data were all underpinned by a dedicated section of the BSC.</p>  |
| <b>Q12</b> | <p><b>Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised SCR scope?</b></p>  |
|            | <p>Yes. Introducing a new code, whilst modifying the MRA, SPAA, UNC, BSC, DCUSA and SEC through their respective modification processes, is unlikely to be achievable without central direction. Code administrators are best placed to identify the impacts on their respective codes and ELEXON will continue to support the switching programme in this respect.</p> <p>We would observe that this programme of work is exactly the type of thing that the cross code plan needs to capture and should form part of any strategic direction that Ofgem develops through its code reform work which is currently under consideration. As part of such reform it would be more efficient if Ofgem could empower the code administrator to be able to bring forward the necessary Modifications to implement the changes arising from the SCR. We have made this and similar suggestions for code governance improvements in our paper <a href="#">'ELEXON view: Code Governance</a></p>   |

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|            | <a href="#">Reform</a> which we have published and shared with Ofgem.   |
| <b>Q13</b> | <b>Do you have any comments on the indicative timetable for the development of the new governance framework?</b>  |
|            | <p>Ofgem's focus will clearly be on establishing the REC and putting in place the licence obligations to give force to the new code. This will be followed by enshrining the new CSS related processes in the REC and making any consequential changes to existing codes. Code Administrators will need to be clear about what is included in the REC before they can help define the changes to their own codes. We recommend that Ofgem makes allowance in its plans for this dependency. Whilst it is true that there will be fewer consequential impacts on the BSC than the MRA, SPAA and UNC, these impacts shouldn't be underestimated. We will, of course, be happy to contribute to the identification of impacts and the drafting of changes, but would ask that Ofgem plans for sufficient time between finalising the REC drafting and go-live to allow these consequential changes to be made.</p> <p>We note (in para 8.15 of the consultation) that 'Figure 7: REC Scope' represents Ofgem's "current thinking and is not a final proposal". We suspect that Ofgem will want to flex the boundary between what is in and out of initial scope in terms of the non-essential provisions, in order not to put implementation at risk. This will provide contingency in case the 'Areas connected to switching (inside initial scope)' in Figure 7 prove to be as challenging as we expect them to be.</p> <p>We note that it is possible to avoid establishing a new RECCo, which would simply procure services like code administration, by making the RECCo function a part of an existing entity (for example ELEXON). We see the benefit for industry and the consumer of doing this as follows:</p> <ul style="list-style-type: none"> <li>(i) We are recognised for our quality of service and focus on stakeholder needs (as evidenced by Ofgem's and our own independent code administrator customer satisfaction surveys);</li> <li>(ii) As an expert organisation, independent from any group or subgroup of industry, we are highly transparent (issuing our budget annually for comment), trusted and expert;</li> <li>(iii) There would be less fragmentation of the already complex and confusing central energy services landscape and a more standard approach;</li> <li>(iv) We are used to delivering government and regulatory objectives – as well as our BSC activities, we provided EMR settlement functions on time, to budget and to quality despite a very short implementation period;</li> <li>(v) As the RECCo and its services are relatively low risk there need not be complex commercial arrangements in place for a RECCo or REC code administration services. Indeed the code administrator service can be delivered on a not for profit basis (just as ELEXON is set up). A not for profit service is particularly suited to situations where requirements may be unclear and the service will need to evolve over time. Too often a service provider uses uncertainty of scope to then insist contract or service changes require additional payment.</li> </ul> |



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| <b>Impact Assessment Chapter: Three</b>  |  |
| <b>Q1</b>  | <b>Do you agree that our assessment of industry and public sector costs, including our approach to managing uncertainty, provides a sound basis for making a decision on a preferred reform package?</b>                       |
| Yes. The Request For Information provided a sound basis for assessing costs.   |  |
| <b>Q2</b>  | <b>Do you agree that we have selected the appropriate policy option around objections, cooling off, meter agent appointment and MCP ID for each reform package?</b>  |
| <p>Yes.</p> <p>Settlement is not impacted by the objections and cooling off policies.</p> <p>Although the appointment and de-appointment processes are relatively straightforward, the notifications to agents of other agents for the same metering point are complicated. This complexity is largely driven by settlement requirements, but exists for good reasons, such as ensuring that the de-appointment of an agent does not prevent the correction of poor quality data relating to the period of their appointment. It would not be cost-effective to transfer this complexity to the CSS, for no real benefit to the switching process.</p> <p>Communications provision varies by metering type (DCC-serviced smart, SMSO-serviced smart, advanced meters, legacy half hourly meters) and in each case the relevant obligations can be linked to existing industry roles, without the complication of a new Meter Communications Provider role. We agree with the policy option of not introducing an MCP role.</p> |  |
| <b>Impact Assessment Chapter: Four</b>   |  |
| <b>Q3</b>  | <b>Do you agree that our assessment of the direct benefits of the reforms, including the various assumptions that we have adopted, provides a sound basis for making a decision on a preferred reform package?</b>             |
| Yes. See also our response to Chapter Two (main consultation) Q1.  |  |
| <b>Impact Assessment Chapter: Five</b>   |  |
| <b>Q4</b>  | <b>Do you agree that our illustrative analysis of the indirect benefits provides a reasonable assessment of the potential scale of the savings that could be made by consumers through increased engagement in the market?</b> |
| Yes. See also our response to Chapter Two (main consultation) Q1.  |  |



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| <b>Impact Assessment Chapter: Six</b>  |  |
| <b>Q5</b>  | <b>Do you agree with our assessment of the wider benefits of our reform proposals?</b>   |
| <p>Yes. The section 'Unlocking potential future innovation' refers to data model flexibility in the CSS as an enabler of 'new models of demand management'. If the CSS is to deliver future innovation, it is important that design of the Retail Energy Code governance allows appropriate access to innovators, such as demand side aggregators. REC governance needs to recognise the need for all codes to unlock the benefits of innovation and any inter-dependencies across codes. There is also inter-dependency on the HHS design work that ELEXON is leading on under the settlement reform SCR.</p> |  |
| <b>Impact Assessment Chapter: Seven</b>  |  |
| <b>Q6</b>  | <b>Do you agree that our assessment of the net impacts for consumers provides a sound basis for making a decision on a preferred reform package?</b> |
| <p>Yes. See also our response to Chapter Two (main consultation) Q1.</p>   |  |