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Dear Rachel,

**ElectraLink's response to the Ofgem consultation 'UK Link and the proposed Central Switching Service'**

ElectraLink welcomes the opportunity to respond to the Ofgem UK Link consultation. ElectraLink supports the faster switching programme and welcomes the opportunity to evaluate the use of existing infrastructure for the Central Switching Service (CSS). Our response to the consultation questions are in Appendix 1 and we are happy for you to make this response public.

ElectraLink is responding in its capacity as the operator of the Data Transfer Service (DTS) and manager of the Energy Market Insights datahub. This response does not reflect the views of the codes that we administer.

ElectraLink was established in 1998 to provide an independent, secure and low cost data transfer service between UK electricity market participants. The DTS transfers data relating to business-critical energy market processes, including customer switching, settlement, agent management and meter administration. The DTS fulfils the data transfer requirement for customers switching, facilitating over 443k electricity and 286k gas change of supply events in August 2017 alone. ElectraLink has 19 years' experience providing this service to meet the industry's switching requirements (including facilitating the processing of objections, withdrawals and erroneous transfers).

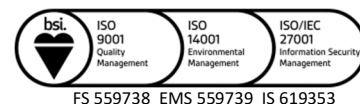
As a wholly owned subsidiary of the DNOs, ElectraLink has an obligation to competitively procure the technology and service components of the DTS. ElectraLink provides the DTS under a multi-party agreement, the DTS Agreement (DTSA), governed by a user group with oversight from Ofgem – details of the members of the user group can be found here. The number of users of the DTS and data transferred by the service has increased rapidly over the last 5 years largely driven by new market actors, such as a new entrant suppliers and aggregators. Currently, there are 242 energy market participants connected to the DTS across many areas of the energy market:

<b>Participant type</b>	<b>Number of DTN connections</b>
Distribution	14
Metering	33
Other	34
Tier 1 (Big6)	6
Tier 2 supply	12
Tier 3 supply	123
x-Green Deal	19
Generation	1

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The full cost of setup and operation of the DTS is recovered by ElectraLink from the users of the service on a cost-recovery basis regulated by the Charging Principles in the DTSA. ElectraLink also receives a return on its investment governed by Ofgem. DTS Users are charged a connection fee, data-usage charges and supplier-specific charges. Over the regulatory cycle (5 years), the total costs recovered from DTS Users equates to the cost of providing the service. Annual short-term surpluses and shortfalls may arise as ElectraLink seeks to avoid volatility in DTS charges to users. The average cost for users in 2016 was circa £25k per annum. We foresee the user cost of the DTS reducing as the UK energy industry utilises the DTS to support a greater number of market processes.

In a fast-changing UK energy market, Electralink has already worked with its service providers to evolve the DTS into a scalable service, easy to connect to, supporting multiple file and communication types (including XML) and which operates in near real time. The technology that supports the DTS is currently in the process of being re-procured to enable the DTS to better support emerging industry processes and models. The re-procured DTS will be designed to support multiple areas of industry change including CSS, HH settlement, and DNO to DSO transition. New technology will be considered including web-service access to industry data, and, potentially, blockchain. Re-procurement of the DTS will complete in 2018 with service implementation/transfer completed by 2020.

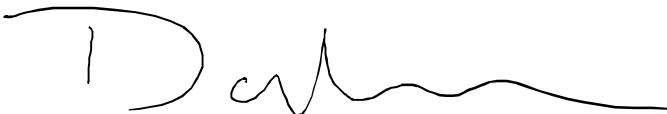
ElectraLink is working with Ofgem on the Faster and More Reliable Switching Programme. As a principle, ElectraLink is supportive of the appropriate re-use of existing industry infrastructure in the delivery of the objectives of the Programme, of the kind suggested in this consultation. ElectraLink is advocating the use of the DTS as the communication mechanism between market participants and the CSS for three reasons:

- **The DTS is competitively procured by ElectraLink on behalf of industry in support of multiple market processes.**
- **The DTS meets the CSS requirements in terms of cost, connectivity, security, scalability and simplicity.**
- **Use of the DTS reduce Programme delivery risk.**

ElectraLink competitively procures the technology that supports the DTS to ensure that the best and most cost-effective data transfer solution is always provided to industry. We believe that if the DCC utilises the same OJEU procurement process to select the provider for the CSS system, and this process demonstrates that UK Link is the best solution for the programme, then the rationale for re-use can clearly be justified.

Thank for you for the opportunity to respond. Should you require any additional information or if you have any questions, please contact me at ([Dan.Hopkinson@ElectraLink.co.uk](mailto:Dan.Hopkinson@ElectraLink.co.uk)).

Kind Regards,



Dan Hopkinson

## **Appendix 1: ElectraLink’s response to Ofgem’s ‘UK Link and the proposed Central Switching Service’ consultation**

### **Question 1: Do you agree with the benefits outlined in 3.7 a-c below. If so, how significant do you consider these benefits could be for the purposes of implementing more reliable, faster switching?**

ElectraLink agrees that the benefits described in 3.7 a-c may be achieved through the use of the UK link system to provide the functionality of the CSS. To achieve these benefits, it is important to consider the total cost to industry of the implementation of the CSS, including the ‘participant side’ development. Feedback from Xoserve states that the UK link systems have the capability to deliver the functionality required for CSS and this, coupled with the high level of existing integration to UK link following the completion of project Nexus, indicates that extending the scope of UK link has the potential to be a lower cost, lower risk option.

Whilst ostensibly we agree with the benefits outlined in the documents that the use of existing infrastructure should reduce the cost to serve (as development costs and risk could be minimised), we know that this is not a guarantee. To understand the significance of these benefits, Ofgem would need to understand the potential costs for using the UK Link platform to deliver the CSS and how this would compare to alternative solutions. This would inform if the governance changes discussed in this consultation would be appropriate or cost effective to explore. Prior to full DCC procurement a market evaluation, similar to the exercise ElectraLink have recently completed to support the information gathering stage of the DTS re-procurement, will provide the necessary benchmarks. We would welcome the opportunity to support Ofgem and Xoserve in performing a similar evaluation as we have performed on the DTS.

### **Question 2: Are there other benefits that we have not identified?**

Use of the UK link platform in the delivery of CSS has the potential to enable additional industry benefits through the streamlining of industry data transfer. The following parties would need to connect to the CSS: Distribution; suppliers; gas transporters and some metering agents (MAPs). Analysis shows of these 181 participants, the Data Transfer Service (DTS) is already connected to 160 participants leaving only 21 to be connected – gas SME retailers and the GTs. This means that the DTS is currently connected to 90% of the industry participants requiring integration to the CSS. The remaining gas SME suppliers and gas transporters could be connected by linking the DTS and IX (the interface to UK link provided by Vodafone). Once IX and the DTS were connected, it would be possible for market participants to use a single data transfer mechanism for both Electricity and Gas data transfer. As the DTS is the only dual fuel data transfer provider, we would recommend decommission the single fuel gas data transfer – IX – and we would advocate for all traffic to be sent across the DTS. This vision is shared with Xoserve. ElectraLink have calculated that the savings on network charges would equate to £600,000 per year for industry. This does not include the savings made on the market participant’s side from interface / systems simplification.

It should be made clear in the response to this question that the DTS can support any solution for provision of the CSS and that the example above focuses on additional industry benefits if integrated with a UK Link based solution. In our response to the formal consultation on RP2a, we will demonstrate the cost of re-using the DTS to support energy market participant’s integration to the CSS, without the additional benefits listed above. Our evaluation shows that the investments required to ensure that the DTS meets all possible requirements of the CSS are less than £500,000

and that connecting the 21 non-DTS participants in the industry will have a total cost of £10,000. We will also demonstrate that the DTS can absorb the additional data volumes with no increase in cost to the service. We firmly believe that it would not be possible for the DCC to procure a new CSS interface service with DTS levels of security, resilience, service and flexibility and integrate it with over 200 market participants for a lower incremental cost.

**Question 3: Do you see any particular risks or disadvantages? If so, please outline them.**

There are always risks associated with a programme of this complexity. Recent implementations of central energy systems, such as Project Nexus, have been subject to delays and increased costs. This may be seen as a reason to exclude the UK link system as a solution. The central system of the CSS is a major component of the faster more reliable programme. It is the view of ElectraLink that the learnings derived through the Nexus project could add value to the CSS and help de-risk the project.

We believe a competitive procurement process that evaluates the provision of the UK Link platform can ensure that the UK Link service is evaluated against alternative solutions. This will provide a clear set of results against a decision-making framework that ensure that the systems selected can demonstrate that they meet the requirements of the programme procurement principles.

**Question 4: Under the current Xoserve CDSP governance do you believe there are any substantive obstacles to Xoserve's ability to participate in a competition? If so how could these obstacles be overcome?**

Whilst there are clearly some obstacles within the CDSP governance arrangements that will need to be resolved for Xoserve to participate in a competition, there does not appear to be anything that absolutely prevents it. The will to overcome obstacles must be related to the potential benefits of re-using UK link for the CSS solution. If the benefits of re-use can be clearly stated against the cost and risk of a new solution, then the additional cost and timeframes relating to the governance and regulatory change can be evaluated as well. Therefore, we recommend that these benefits are calculated and presented to allow benchmarks to be defined.