

Rough Order of Magnitude (ROM) Analysis

for UNC Modification Proposal 0403

EU Third Package - 21 day switching with flexible objection period

Version 1.0

Network Lead:	Chris Warner
xoserve Lead:	Alison Jennings
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Change driver / origin

Modification 403 EU Third Package – 21 day switching with flexible objection period, advises that Article 3(5a) of the Electricity Directive and Article 3(6a) of the Gas Directive requires Member States to ensure that where a customer, while respecting contractual conditions, wishes to change Supplier, the change is effected within three weeks. The detailed measures are described in the DECC Impact Assessment No.DECC0003 dated 14/01/2011.

Government has transposed the requirements into Draft Statutory Instrument The Electricity and Gas (Internal Markets) Regulations 2011, which are now laid before Parliament. Part 3 of these Regulations will amend the Standard Conditions of a Gas Supply Licence, specifically by adding Standard Condition 14A Customer Transfer; 'Obligation to complete a Supply Transfer within three weeks.' In order to comply a Supplier will need to make arrangements with their Shipper to transfer ownership of the relevant Supply Point within the prescribed timescales. Existing UNC business rules and industry systems do not facilitate 3 week (21 calendar day) switching.

Analysis

In order to reduce the Transfer of Ownership timescales, it is proposed that the minimum transfer lead-time is calculated in calendar days where objection rights apply, but that Transfer Notification Date and Objection Deadline Date will still be based on business days. Consequently, the objection window will no longer be a fixed period, i.e. the objection window will flex between 2 and 7 business days dependant on the number of business days in the whole transfer period. The proposal is to count the minimum transfer lead time for confirmations in calendar days NOT business days when validating requested confirmation effective dates. The requirement is to validate that the SSD [Supply Start Date aka Confirmation Effective Date] is a minimum of 21 calendar days after the [Confirmation submission date].

The Transfer of Ownership period consists of two distinct phases...

1. Objection Window [Confirmation Request Date to Objection Deadline, (usually D-8)] and
2. Confirmation Period [Transfer Notification (D-7) to Confirmation Effective Date (D)].

The primary requirement is that the Confirmation Period remains unchanged, i.e. Transfer Notification remains at D-7.

The solution must ensure that where Day 1 of the 21 day minimum transfer lead-time (i.e. the day after last day cooling off period for domestic consumer) falls on a non-business day or weekend that EU 3 Week Switching is still complied with even if the shipper and/or Xoserve do not process files on that day.

To ensure that switching is compliant in all circumstances the following is required...

1. No changes to the existing rules for the Confirmation Window to SRD-7 Business Days through to SRD.
2. Make the minimum Confirmation lead time 21 Calendar Days
3. Absorb any limitation of days in a flexible Objection period.
4. Process Objection notifications on any Business Day within the period.
 - (For the purposes of the EU Regulations) The 21 Calendar Day switching period, starts from the day following the end of the cooling off period for a domestic customer. Xoserve shall assume that the 21 Calendar Period starts on the day of receipt of the confirmation file.
 - The Objection Window starts once processing of the confirmation file has taken place. This is measured in whole calendar days from the day following the confirmation file processing date.
 - Should the shipper submit the confirmation request on a non-business day and the file not processed until the next working day, the file should be "post-stamped" and processed as if it were the non-business day, ensuring that where the minimum confirmation notice period of 21 days is given, that this is accepted.

Summary Business rules

1. The minimum notice period for a competitive transfer, (i.e. where objection rights apply) is 21 calendar days from the day following the end of the cooling off period to the Transfer day, even if one or both of these days falls on a non business day.
2. The minimum notice period that a competitive transfer with an Objection period, is 21 calendar days.
3. A Consumer can elect to transfer at greater than the minimum notice but must not exceed 30 business days.
4. The Objection window must not exceed 7 Business days.
5. The Objection deadline will be the earlier of...
 - Latest Objection submission time on D-8
 - Latest Objection submission time on the 7th business day after the business day on which the relevant confirmation request was processed.

ROM Costs & Timescales

Note: ROM information is not based on any formal systems analysis.

Estimated costs:

System analysis, design, development and implementation

The development and implementation of the application change and the development of the systems and processes for the managed change of supplier service envisaged by this proposal, will cost at least £184,000, but probably not more than £249,000, to deliver.

Ongoing costs

The additional operational costs associated with managing the flexible objection window in accordance with the business rules will cost at least £11,000 but probably not more than £15,000.

Estimated duration:

- The Analysis Phase, will take at least 16 weeks, but probably not more than 21 weeks
- Delivery; including detailed design and development, testing and post implementation support; will take at least 20 weeks, but probably not more than 24 weeks.
- The total of for the project is therefore in the range of 36-45 weeks, including post implementation support.

Assumptions

Project costing assumptions:

- The estimated cost range is based on the project progressing as a stand-alone implementation.
- The quoted costs are for the known functional changes to implement the stated business rules.
- No performance enhancements are thought necessary.
- No costs have been included for user pays invoicing activities

Xoserve cost estimates include:

- Application development and support.
- Further Xoserve evaluation
- ODC to develop and implement
- IT infrastructure service development
- Xoserve project costs
- Operations Team project support costs, e.g. User Acceptance Testing

Xoserve cost estimates not included:

Any activities associated with any User Pays cost recovery.

Concerns

Service Levels

- None identified

Business Rules:

- None identified

Impacts

xoserve:

- Requirement to maintain flexible arrangements

Networks:

- None identified at present

Shippers

- Reduced objection window at certain periods in the year

Ofgem

None identified at present