

Dear Industry Colleagues,

I enjoyed the opportunity to talk with you all on the 16th October 2017 and I appreciated the valuable questions afterwards. I am conscious I didn't use any slides and you might want to be able to refer in the future to the content of my talk. With this in mind here is a summary of the key points I made:

1. UK Link launched in June 2017, after a challenging and elongated delivery plan, which suffered from several high profile delays
2. We have documented well over 100 lessons learnt, but the most significant for me are:
 - a. The technology platform selected - when you are building new and from scratch - it will have its own very specific nuances. Good project management skills are not a replacement for domain specific technical skills, and we know now that we should have hired significantly more SAP specialists from the start
 - b. We had a reasonable track record of delivering change historically. This was because the changes were functionally smaller and/or were infrastructure upgrades. We tried to apply the same programmatic approach to Nexus, which in reality required significantly more customer engagement on requirements, options and technology, than we anticipated
 - c. We underestimated the quantity and quality of business change skills needed to manage our customers professionally through a period of significant change. This included key activities like customer risk assessment, customer testing strategy and execution, governance and assurance, training and documentation
 - d. Planning in the early days was too often 'right to left'. We tried to work out how to deliver to a chosen date, only to find that working to unrealistic time lines led to a less than ideal approach and more costs to put things right later on
3. Sadly, none of this history is new to me. I have spent the last 20 years leading or engaged in transformations equal to and bigger than project Nexus. In my experience all of them suffered from significant overruns to time and budget.
4. In fact, I have never witnessed a large scale transformation programme that has delivered anywhere close to the original expectations – perhaps you have, but this has not been my experience
5. Therefore, rather than continuing to bang our heads against the same proverbial wall, we should instead look very differently at the challenge and perhaps ask a different question; if large programmes are doomed to serious time and budget overruns, then shouldn't we find ways to avoid starting them?
6. It won't always be possible to avoid large programmes of change, but we should adopt them only as a last resort. Instead we should look to utilise strategies that enjoy much higher success rates
7. In my experience, the success rate is much higher when we a) re-use existing infrastructure and software assets and b) break large programmes down into smaller bite-size chunks of delivery
8. There is in my experience, an almost linear relationship between the amount of existing infrastructure and software re-use and the likelihood of delivering to time and budget

9. Therefore, it seems to me a very sensible strategy to fully explore re-use before committing any significant cost to explore building new solutions from scratch, especially when re-use has such a profoundly different chance of success
10. So why don't we do this as standard? The challenge appears to be related to a need to demonstrate that we have spent consumers' money wisely
11. The only means we seem to have at our disposal to demonstrate value for money is to run a competitive tender. When we do this we can say with some justification 'look, it must be the right answer as party X won the business fair and square'
12. However the latest example of a market requirement that is about to be tendered tests this thinking to its limits – namely the procurement of a new gas and electricity faster switching service
13. The UK Link platform I referred to right at the start, which was delivered under the challenging Project Nexus banner, is now live. It may have been tumultuous to get here, but it is now live and working
14. What might not be so well understood by some is that the technology behind UK Link provides a platform for switching. Our customers currently use it to switch gas consumers, but it has the capability – which isn't used at the moment – to do the same for electricity consumers
15. UK Link went live less than six months ago. It is fresh, new and more than capable of supporting the new RP2a centralised switching requirements. This leads me to question the value of spending consumers' money on specifying and tendering for a new switching platform, rather than making it a priority to re-use the assets that consumers have already invested in.
16. The cost of turning on electricity switching in UK Link would be less than the £35m published cost of designing a brand new switching platform and running a competitive tender
17. Asset re-use offers lots of opportunity to keep costs down for consumers. On this occasion, the value of that opportunity is now limited, because monies have already been spent on the design of a new platform
18. With a different framework for decision making, which starts with a robust exploration of the re-use of existing assets before investing significantly in the pursuit of new systems, the large majority of the design (and potentially tendering) costs could have been avoided
19. Clearly, if current infrastructure and software is incapable of meeting the requirements then we have no choice but to build from scratch. In this scenario, tendering for the work is absolutely vital to ensure the best solution is identified and value for money delivered
20. I don't intend to sound critical here. Everyone is doing their job well. Why do I say this? Because the default framework for proving to society that we have spent consumers' money well is to examine problems afresh and to publicly tender for work. What we should stop and consider, using a live example such as the new centralised switching platform, is the assumption that this automatically delivers better value for consumers. If it is not guaranteed to deliver better value, then we should look again at the framework for making important decisions in the future

21. Alongside a framework for decision making that takes into account the risk reduction and cost avoidance benefits of reuse, we should also consider how we make decisions in concert with a whole systems strategy for the centre of the energy market
22. If all the central bodies combined were a UK plc, we would have a business and systems architectural strategy. Such a strategy would direct us towards an end state where the market was simpler, more cost efficient and delivered better services for customers and ultimately for consumers. With such a strategy agreed by all, we could refer to it at the moments that matter (such as when large investment is being considered) in our evolution and we would know which assets to re-use and when, well in advance of major decision points. This would give us better informed and pre-agreed actions, rather than starting with and consulting on a blank sheet of paper each time
23. If a well-run plc is characterised by such a strategy, the centre space of our energy market should aspire to have the same, as a real alternative to the congestion and inefficiency that exists today
24. This requires the central bodies to work together to create that vision. I have started some of these conversations already, and indeed where I haven't been the initiator of such a conversation my peers have reached out to me. It feels to me that hearts and minds are shifting in support of more whole systems thinking across the central bodies
25. So in summary, we may not be able to avoid the expenditure sunk so far in the pursuit of a new centralised switching platform, but we do have the capacity to stop the expenditure from getting any greater. We already have a central switching platform; we are just using only one half of its capability. We as a collective energy industry community are the ones who are artificially constraining the investment we have made to be 'gas only'. We are also the ones who can simply make the decision to unlock the other half that supports electricity. We can make that decision now, enabling us to much more rapidly get on with the job of delivering faster and more effective switching for consumers without any further delay.

Q&A

QUESTION: Shouldn't we have some kind of overarching architectural governance in our industry?

ANSWER: Yes, I 100% agree we should. Such an architectural group of the smartest technology thinkers from across our industry could plot out a roadmap, working to support Ofgem and industry plans with a coherent technology roadmap that brings about the business outcomes we want, but in the most cost efficient and least risky ways for our industry; and in a way that drives up return on the consumers' capital we have already employed. Such a group could take a whole market view and help avoid our current approach, which is to make decisions based on isolated business cases, rather than cases that consider the impact to the total cost of ownership of industry assets.

QUESTION (asked informally during the breakout): Can we really save £35m if we don't tender for the CSS?

ANSWER: The reference to procurement costs of £35m was to the total costs for designing a 'new' switching platform from scratch, up to and including a tender. Therefore saving £35m at this stage is sadly only a theoretical exercise.

I checked with Ofgem what the actual forecast cost for the procurement element of the DCC's involvement in the switching programme is and the answer provided was £2.8m, excluding overhead and margin. Ofgem highlighted that DCC will shortly be publishing re-baselined costs to align with the DB2 consultation and as a part of that will provide an updated overall cost of procurement. Ofgem is not expecting that there will be a significant proportionate change to the current published cost.

Ofgem also wanted to highlight that the costs set out in the DCC business case are not costs that are approved in advance but will be subject to scrutiny through an ex post price control to determine whether the DCC has delivered the procurement requirements in an economic and efficient manner.

QUESTION: if we bought into your story that UK Link is already able to perform the central switching platform role, how could this be proven independently without a competitive tender?

ANSWER: This gets to the nub of what a framework which first considers re-use before starting anew needs to accommodate. I think we could meet the objective of independent scrutiny by simply drafting a set of assessment criteria (which should be signed off by all industry participants and not only those who stand to make a commercial gain from the process) and then invite an independent reviewer to come in and benchmark UK Link against that criteria.

If the platform is able to meet the criteria, we should follow a re-use strategy because re-use has a significant benefit over introducing new parties to an already congested central market. Why ask consumers to pay for yet another management team, HR, finance and other support functions, plus yet another board (all part of introducing a brand new player to the industry), when you don't have to?. Consumers don't have a choice who to use for their central switching platform and so introducing new companies isn't effective competition; it is just simply duplication of cost, pure and simple.