

Rachel Clark
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

29th January 2021

Sent by email only to: switchingprogramme@ofgem.gov.uk

Dear Rachel,

Switching Programme and Retail Code Consolidation: Proposed Licence Modifications Consultation

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group, excluding Centrica Storage and NEAS Energy.

We continue to support the development and implementation of the new faster and more reliable switching arrangements via the Switching Programme, and Retail Code Consolidation into the Retail Energy Code. We welcome the detail provided within this consultation and associated licence drafting, particularly the early provision of switching programme related content that is vital to support our ongoing design, build and test activity.

We note that the proposed licence changes related to Retail Code Consolidation are largely minor reference changes to definitions resulting from the close down MRA, SPAA, GDAA and SMICoP and the movement of these obligations to the REC. We are supportive of the changes described relating to Retail Code Consolidation.

We continue to have some concerns with elements of the proposed modifications related to the Switching Programme, that will give effect to the new faster and more reliable switching arrangements. These concerns are outlined below, with further detail provided within our response to the consultation questions in Appendix A below:

- **Speed of Switch:** we support the proposal to introduce a five working day regulatory switching backstop, with end of next working day switching for those consumers who wish to switch more quickly. However, we strongly disagree with Ofgem's position on when measurement of switch performance against this obligation should commence.

Measurement for this obligation should commence from the point that a supplier has received sufficient information from the consumer (e.g. via the PCW) to confirm that the proposed switch relates to the customer that requested it, allowing accurate identification of the meterpoint to which the transfer is related.

The proposal to commence measurement from the point at which the customer believes that they may have provided a PCW with all of the information required of them for the switch to proceed, completely underestimates the amount of effort that suppliers must

expend in validating and enriching the data provided, performing credit checks etc, prior to initiating industry switching.

The proposed approach will create great tension between the need to switch a customer quickly and a supplier's ability to undertake the validation that is required to switch customers reliably. This may ultimately lead to more failed or erroneous switches, and poorer outcomes for our customers.

- **Switching During the Transition Period:** we agree that the existing guaranteed standards of performance already create sufficient financial incentives for suppliers to ensure the reliability of switching during this period.

We support the position that Ofgem should not place additional prescriptive obligations on parties who wish to switch faster than the 5 working day regulatory backstop during the transition period. However, we would welcome further discussion through programme governance as to how suppliers should go "above and beyond normal industry practice" in terms of data validation and developing "higher than standard data quality", in the absence of any readily defined standards.

- **Cooling Off:** the programme introduces materially more complex arrangements for consumers who wish to exercise their statutory cooling off rights. As such, Ofgem should consider the development of consistent messaging and briefing materials to assist consumers understanding of the new arrangements, particularly the additional effort that will be required of them to proactively enter into new contractual terms with another supplier after notifying their new supplier of their intent to cool off.
- **Switch Annulment:** the opportunity for losing suppliers to utilise the switch annulment capability will be very limited, particularly as end of next day switching becomes the norm. However, if this capability is to be retained to be used by suppliers in the prevention of Erroneous Transfers (ETs), it should be permitted for use across all types of ETs, not simply for "No Valid Contract" ETs as drafted. ETs cause significant consumer detriment and require significant effort to resolve on both the supplier(s) and customers part and therefore if a supplier has an opportunity to prevent an erroneous switch from taking effect, they should not be prevented from doing so.

We would be happy to discuss our response and thoughts with you in more detail. Should you have any immediate questions please contact myself or Adam Iles (adam.iles@centrica.com).

Yours faithfully,

Andy Manning

Head of Network Regulation, Industry Transformation, Investigations & Governance
Centrica, Legal & Regulatory Affairs, UK & Ireland

e: andy.manning2@centrica.com

APPENDIX A

Question 1.1.: Do you agree with the proposed standard licence condition modifications as drafted in Appendix 3 for the Gas Supply Licence?

Speed of Switch

We support the proposal to establish a five working day regulatory backstop switching period. However, we strongly disagree with Ofgem's position as to when, for the purposes of measurement against this regulatory backstop, a consumer is considered to have entered into a contract with the supplier, particularly where consumers are initiating a switch via non-direct sales channels, such as Price Comparison Websites.

We note Ofgem's intent to take a consumer centric view of when a contract is deemed to have started – i.e. the point at which a consumer has provided all of the information that they would reasonably expect to provide for the switch to be able to proceed. However this is a significant departure from the current arrangements, where measurement commences from the point that at which a supplier receives sufficient information from the consumer (e.g. via the PCW) to confirm that the proposed switch relates to the customer that requested it, and allows identification of the meterpoint to which the transfer is related.

It is critical for the success of the programme and for ongoing consumer engagement in the market, that we do not sacrifice reliability of switching by curtailing a supplier's ability and opportunity, to validate sales data received from non-direct channels. There's a risk that the current proposal does exactly that by bringing forward the point at which the switch measurement commences, and that therefore in the haste to achieve challenging switching SLAs, reliability may be compromised, with an ensuing increase in delayed / failed switches and Erroneous Transfers. There will be obvious tension between achieving switching SLAs and switching customers reliably and measuring the contract start, from the point at which a supplier has received sufficient information from the PCW to be able to confirm and agree the contract will promote greater reliability.

Furthermore, this approach represents material change to the current systems, processes and contractual arrangements that support the onboarding of customers from Price Comparison Websites. PCW's have still not yet been properly engaged within the programme and we do not yet have assurances that they are committed to making the changes required of their systems & processes, to utilise industry data to validate customer provided information. It is imperative that as per the programme risk recently raised through the Customer Journey forum, that PCWs are fully engaged in the programme as soon as possible, such that we can develop clear and unambiguous requirements for how they continue to play a key part in the energy switching process, whilst allowing suppliers to fulfil their regulatory obligations and for the programme to achieve its objectives. We hope that the work due to be started via the RECCo will support this.

Switching During the Transition Period

We welcome the clarity that Ofgem has provided in re-affirming their intent to allow suppliers who wish to do so, to move directly to an end of next working day switch during the transitional period, immediately post implementation of the new switching arrangements.

We agree with Ofgem's assessment that between the current regulatory framework and financial penalties introduced through the switching related Guaranteed Standards of Performance, that there is already sufficient incentive for suppliers to ensure the reliability of switches during this transitional period, and that no further financial penalties are required should suppliers choose to switch faster than five working days.

We also agree that Ofgem does not need to be entirely prescriptive about what additional obligations should be placed on parties who choose to move directly to an end of next day switch during the transitional period. However, with the requirement that those parties satisfy their selves that they have sufficient mitigations in place that provide additional confidence with regard to the reliability of their switching arrangements, we do believe that it would be prudent for the programme to develop further guidance in conjunction with suppliers, as to how they may go “above and beyond normal industry practice” in terms of data validation and developing “higher than standard data quality”, in the absence of any readily defined standards.

Switch Annulment

We believe that unless a customer has chosen to switch to a preferred future dated switch date, that the opportunity for losing suppliers to utilise the switch annulment capability will be very limited, particularly as end of next day switching becomes the norm.

However, we also believe that if this capability is to be retained to be used by suppliers in the prevention of Erroneous Transfers (ETs) in these limited circumstances, that it should be permitted for use across all types of ETs, not just for “No Valid Contract” ETs as drafted. ETs cause significant consumer detriment and require significant effort to resolve on both the supplier(s) and customers part and therefore if a supplier has an opportunity to prevent an erroneous switch from taking effect, they should not be prevented from doing so.

Cooling Off

We note that this policy results in materially more complex cooling off arrangements when compared to current processes, that can also lead to some poor consumer outcomes – i.e. movement to an SVT at the end of the 15 working day post cancellation grace period if the customer has not exercised their option to either return to their original supplier, or to switch onwards to a different supplier. Ofgem should consider how this change is communicated to consumers in a clear and consistent fashion.

There potentially remains a gap within the drafting for how Supplier A is to handle a consumer wishing to return on equivalent terms, but is potentially returning with a different metering set-up, for instance potentially having been subject to a credit to prepay meter exchange, that does not make it possible to match the terms of the original tariff. We would presume under such circumstances, that the obligation on Supplier A to offer an equivalent terms contract lapses but would appreciate clarification being provided.

Question 1.2.: Do you agree with the proposed standard licences condition modifications as drafted in Appendix 2 for the Electricity Supply Licence?

See response to 1.1 above.

Question 1.3.: Do you agree with our proposal to modify the five working day switching regulatory backstop by introducing a 5pm cut off on a working day, after which, if a consumer signs up, the start of the five working day period will be counted as the next working day?

Yes, as proposers of this change, we agree with the proposal to modify the 5 working day switching regulatory backstop to introduce a 5pm “working day” cut-off.

Where possible and subject to sales channel, system and resource limitations, we would still endeavour to offer consumers an end of next day switch where we receive a new sale after

5pm. However, from a switching performance perspective, when measuring success vs switching obligations and for determining where payment for failed switches may be required under the Guaranteed Standards of Performance, the introduction of this cut-off time into the drafting is sensible and removes the risk that suppliers are unduly punished for failing to meet obligations for switches received in close proximity to the midnight CSS daily processing cut off time.

Question 1.4.: Do you agree with our proposals to measure the start of the grace period, from which Supplier B must continue to supply the customer on the same tariff after the consumer has switched and cancelled, from the point that Supplier B sends notice to the consumer of their options and that the grace period should be 15 working days?

We agree with the proposal to measure the start of this grace period from the point at which supplier B has sent notice to the consumer of their options after exercising their cooling off cancellation rights. We also agree that 15 working days is a reasonable duration for the grace period.

Question 1.5.: Do you agree with our proposals to measure the start of the period over which Supplier A must offer to take a customer back on equivalent terms from the switch date? Do you agree that the period that Supplier A must maintain this offer is 16 working days from the switch date?

Yes, we agree with the proposal to measure the start of this grace period from the switch date. We also agree that 16 working days is a reasonable duration for the grace period.

Question 2.1.: Do you agree with the proposed standard licence condition modifications as drafted in Appendix 4 for the Gas Shipper Licence?

Yes, we agree with the proposed Gas Shipper Licence changes.

END