



By email only to: Rachel Clark, Programme Director, Faster Switching Programme, Ofgem
Switchingprogramme@ofgem.gov.uk

15 January 2021

Dear Rachel,

**Switching Programme and Retail Code Consolidation: Proposed licence modifications -
Pure Planet's response to the consultation**

Pure Planet is a growing energy supplier, supplying almost 200,000 households with 100% renewable electricity and 100% carbon offset gas. Through our award-winning app and Wattbot, our AI-powered digital service assistant, we're passionate about using technology to make low carbon energy affordable and accessible to our Members.

Pure Planet welcomes the opportunity to respond to this consultation. However we're very concerned about the lack of opportunities that suppliers have had to date to formally participate in the development of the switching requirements addressed in these SLC changes, outside the highly technical and resource-heavy Programme Working Groups. Through our engagement with the Consumer Journey Forum, we're disappointed that a number of the issues we raise below have not been addressed when highlighted to the Programme by the Forum in relation to the new rules governing the switching process and customer journey. Ofgem should urgently engage with suppliers to ensure the customer experience and the practical implications of the proposals have been fully considered when drafting the new licensing requirements.

Our responses to the questions related to Chapter 1, changes to the Supply Licence Conditions are in the Annex below.

Do get in touch if you would like to discuss our response in more detail.

Kind regards,

Katie Davies
Regulatory Lead





Annex 1: Pure Planet's response to Chapter 1 questions

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

Retail Energy Code and Code Consolidation SLC Changes

We do not have any comments on the proposed SLC modifications relating to the consequential changes required through the introduction of the Retail Energy Code.

As a general rule, we support Ofgem's efforts to remove the now irrelevant clauses in the Licence referring to suppliers' obligations to establish the REC and others such as SMICoP. Ofgem should commit to further streamlining the Licence and remove outdated references in a timely manner.

Switching Programme SLC Changes

Objecting to switches (SLC 14)

The revised changes would mean suppliers could only object to a switch request in instances where the Customer has unpaid Outstanding Charges or has actively told their current supplier that they wish to cancel their switch. We're concerned that the current wording places too much onus on the Customer to identify when a switch has taken place that they have not actively agreed to (by way of agreeing a contract with another supplier).

By removing reference to other forms of Erroneous Transfer, for instance when agreed between suppliers and not reliant on a Customer identifying the issue, this opens up risks to industry of ET scenarios - although rare - without a clear regulatory backstop or responsibility to quickly avoid them through the objections process. Although we appreciate that the foundational aim of the Switching Programme is to avoid instances of ETs, there remains a practical risk and degree of likelihood that even under the new arrangements ETs triggered outside the customer's control or recognition could still occur. This is especially true in the months following Go Live. With the reliance only on Annulments to resolve switching errors we do not believe that these changes will achieve the reliability aspect of the Programme's aims.

Furthermore, given Ofgem's intention to move towards a principles-based regulation, the SLCs should not focus on the specific instances that can and cannot be objected to, rather the test should be that the objection is either debt-related or in the customer's best interest, reflecting their intentions.

Debt hopping

We're deeply concerned about Ofgem's apparent lack of an assessment of the scale of the risk and cost associated with debt hopping under the new switching arrangements. Under the current provisions of SLC 14, suppliers are only able to object to a switch request if there are Outstanding Charges on the Customer's account which have been unpaid for over 28 days (SLC 14.4(a)). In the majority of cases a Customer would remain with their current supplier for longer than a monthly billing cycle before the supply was taken over by the new supplier, avoiding the scenario where a Customer leaves without ever paying a bill.





With switching taking a quarter of the time than under the current arrangements and a far shorter standstill period, there is a significant risk that suppliers will be faced with a high volume of small, unpaid debts from the propensity of customers frequently switching suppliers. This is likely to vastly increase the operational cost - and FTE required - of debt collection activities, and increase suppliers' exposure to bad debt. We believe that, left unregulated, this will lead to significant challenges for the market, and the success of the Programme.

Ofgem should assess the impact of debt hopping at the earliest opportunity, and conduct a cost-benefit analysis of the current switching arrangements on suppliers' bad debt.

Contract start date (SLC 14.20)

We do not agree with Ofgem's revised definition of when a Customer enters into a contract, and urge Ofgem to review its intentions expressed in the consultation document. The changes are a significant departure from the current definition: when the supplier has 'sufficient information to initiate the switch'. This is defined in the Guaranteed Standards of Performance for switching regulations, which was agreed through industry consensus during several months of working groups. As a result of this recent change, suppliers have developed effective switching arrangements, operational SLAs and monitoring activities.

We disagree with Ofgem's stated aim to revise the GSoP definition of when the contract starts (para 1.15) and we do not support the view that the contract start date should be when a Customer would 'reasonably expect the switch to take place without further action on their part'. This places too much onus on the Customer to identify if a switch has gone wrong, and may add unnecessary confusion.

In practice, the new definition will mean suppliers will need to include additional steps and verification requirements during the initial quote and join process in order to avoid errors or future issues, in compliance with SLC 14A.10. This is particularly true for verifying contact details, which will be a growing factor as customer preferences shift towards digital. Increasing the number of steps at the beginning of the switching journey has a direct impact on reducing the conversion rate. From our experience, as much as 20% of prospective customers who start the quote and join journey do not complete their switch request, with around a 3% drop off rate at each step.

Ofgem should retain the existing definition of agreeing a contract as agreed in industry, based on when the supplier has 'sufficient information'. The reference to the Customer's reasonable expectations in the draft definition of 'Relevant Date' (SLC 14A.20) should be removed, and Ofgem should reinstate the clause 'all of the information necessary' to provide the supplier with sufficient information to conduct the switch. This will avoid the unintended consequence of making the sign up process burdensome to customers, which is likely to discourage consumers from engaging in the switching process. We believe this is in contradiction to the spirit of the Switching Programme.

Cooling off and cancellation arrangements (SLC 14A.13-17)

The proposed arrangements to cancel a switch during the cooling off period, and the options available to customers are incredibly complex. The arrangements would see a significant change





from customers' expectations of the switching process (and indeed in other sectors when switching provider or supplier). At the very least, Ofgem should issue clear and engaging guidance aimed at customers to explain the new cooling off arrangements and their responsibilities.

Although in the main we support Ofgem's principles-based approach to regulation, given the importance of this communication, Ofgem should ensure customers receive consistently clear communications to help them make informed choices. We believe this will be fundamental to the success of the Programme. As such, Ofgem could explore the inclusion of additional protections such as those which govern other regulated communications such as end of contract and price change notifications (covered by SLC 31I), this could include:

- Provision of Switching Information and current Tariff details (SLC 31F.5)
- Where the customer can obtain free, impartial support (SLC 31G.1)
- Nature of the communication i.e. separate from communications about billing, marketing materials etc. (as under SLCs 22D, 31I.5 and 31I.7)

Equivalent terms

Ofgem needs to clarify its intent around allowing customers to return to Supplier A on a contract with 'equivalent terms', particularly with reference to subsection (b), one that is the 'same or cheaper' than the tariff should have been on had they not requested a switch.

We understand Ofgem's policy intent here is to ensure that customers who cancel in the cooling off period are not adversely affected due to the shorter switch timeframes. However, we're concerned that in the current drafting, this clause will be applied inconsistently and lead to significant financial uncertainties for suppliers.

For instance, for a Customer previously on a Fixed term contract who had switched within the life of their contract term Ofgem needs to clarify if they expect the Customer to return to their existing contract and 'see out' the end of their initial contract term. It would be a significant risk to suppliers and their hedging strategies if the intention was for customers to return to a new fixed term contract of the same length at the same rates. Moreover, Ofgem should clarify if the time between the Customer's cancellation and return is taken into account; for example if the Customer had switched on or close to the end of their fixed term, whether they would be returned to the Default tariff they would have been rolled onto.

We would recommend that Ofgem encourages suppliers to offer returning customers the full range of tariff options to ensure they are put onto the best option, not just the same or cheaper rates of the same contract type.

Consequential changes to other SLCs

We recommend that Ofgem review the impact of the new 5 working day switching period on a number of other SLCs related to the grace period after a change takes effect for a Customer to switch away, whilst retaining their previous contract terms and charges. This includes the following:

- SLC 22D - continuation of Dead Tariffs





- SLC 23.6 - notification of a disadvantageous change to contract terms or charges
- SLC 24.10 - notification at the end of a fixed term contract

The 20 working day grace period was drafted when the switching process took on average 21 days, Ofgem should consider changing this in line with faster switching timeframes.

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

As above.

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?

We agree with this proposal as it will ensure suppliers and their third party service providers are clear about when the 'clock starts ticking' to meet the five Working day switching timeframe.

However, Ofgem needs to highlight this to customers when publicising the new switching rules at Go Live, in order to best manage customers' expectations. Furthermore, we would suggest that customers do not operate in the context of 'working hours' and as such Ofgem should consider leading the industry towards a calendar hours approach as the new switching rules mature.

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 that the 15 Working day timeframe should start from the day Supplier B issues the communication detailing the options available to the customer. However, as above we have some serious concerns about the proposed obligations for Supplier B to issue the communication.

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?

We agree with the proposed time-frame for Supplier A to maintain the offer of switching the Customer back to their equivalent terms for 16 Working days from the switching date. Given the provisions set out for the cooling off period and cancellation arrangements, this would be the most logical outcome, allowing the customer an additional day to decide their next steps. However, as above we have serious concerns about the obligation for Supplier A to provide Equivalent Terms, and the proposed definition in the draft SLCs.

SUBMISSION ENDS.

