



Statutory consultation on proposals to modify licence conditions related to the Switching Programme

Thank you for the opportunity to comment on the final proposals to modify the standard licence conditions required for the Faster and More Reliable Switching Programme. This response is on behalf of E.ON Next and npower business solutions which covers our domestic / SME and I&C businesses respectively. For hereon in referred to as E.ON

Please note that our response to this consultation does not preempt our engagement in or the outcome of discussions on the future market and associated customer charging mechanisms.

Executive Summary

In conjunction with our assessment of the proposed licence changes there are a number of additional points we wish to raise as part of our response. While we welcome some of the reforms the Switching Programme is looking to bring in, we do not place the same emphasis on switching as Ofgem in demonstrating an effective market and instead look to customer satisfaction and engagement. However E.ON recognises the importance of ensuring that customer switching is as smooth and reliable a process as possible.

Please find a summary of our concerns below;

Consultation Timing

The Switching Programme intended the timing of this consultation would provide suppliers with the clarity needed to embed our business change activities in a compliant manner. However, in light of the unprecedented market conditions and associated industry discussions around the future of the price cap and other charging mechanisms means that there are some elements of the licence drafting and underpinning principles that we are not able to accurately assess within the timescales of this consultation.

A key example of this centres on the customer options should they cancel their contract during cooling off. It is currently intended that after the contract (with Supplier B) is cancelled, should the customer take no further action, to return to their previous supplier or enter in to a new contract with Supplier B, the customer will remain on their contracted tariff for a grace period after which Supplier B can move them on to a deemed contract tariff.

Given the options regarding the price cap and deemed tariffs currently being discussed across the industry, we are unable to provide an accurate assessment of the appropriateness of the drafting both from a customer and supplier perspective.

With this in mind, we strongly urge the Switching Programme to look beyond its own deliverables across the market and to adjust its approach to this consultation to reflect the



uncertainties that currently exist in the industry. We would even go as far as proposing the industry discussions regarding the future market and financial resilience be resolved prior to the launch of Faster Switching, we will be picking this point up more broadly as part of bilateral discussions on the topic.

Transition

The Switching Programme full business case was developed in 2019 when the market conditions were significantly different. The unprecedented and unexpected rise in wholesale energy prices have meant there is very little customer switching across the industry, a situation we anticipate will not change in the immediate future. To our knowledge the Switching Programme business case has not been revisited to reflect the dramatic shift in the market. This means the current programme intent is to launch the system capabilities alongside the reduced switching times, which, given no customers will have gone through the new switching process at that point, will naturally create risk around go-live and the following period. With this in mind, we want to take this opportunity to encourage Ofgem to consider an alternative, less risky approach that in the current market would create little customer detriment. We are proposing a transition whereby the system goes live and the existing switching timescales remain unchanged. This would allow us a period of “live proving” where should any issues arise, the industry would have the benefit of the current 21 day switching period to resolve, further derisking any customer detriment. The switching time would then be reduced once the system capabilities have been tested in a live environment guaranteeing the customer experience at a point in time whereby they could actually use the new capabilities. This approach would also have the benefit of supporting customer engagement - launching a vastly reduced switching timetable at a point in time where there is little switching in the market is unlikely to gain traction or engagement and may even appear as though the industry is further out of kilter with the experiences of the customer.

We recognise the above would require a full impact assessment to ensure no unintended consequences either to the customer or the industry more broadly.

Programme Go Live

Subject to confirmation this month, the programme's go-live date is anticipated to be the 18th July 2018. Notwithstanding our earlier comments regarding the approach of this consultation and a potential to adjust the programme transition arrangements we encourage Ofgem to remain responsive to market conditions and should the situation arise, resist forcing the industry into launching the new switching regime should our collective efforts be better placed elsewhere to the immediate benefit of the customer.

Next Day Switching

We welcome Ofgem's stance that for suppliers who want to implement next day switching from the outset should be able to do so as long as they can satisfy themselves that they have the right systems in place in order to switch customers faster than five working days.



We note that Ofgem do not feel any further guidance is required, however there is a requirement to report this through the Switching Programme Readiness Assessments prior to go live. While we would be comfortable in doing this, we urge restraint from the licence party assurance provider so that their assessment approach reflects Ofgem's position and does not in itself create entry criteria in the form of an assessment.

Question 1: Do you agree that the proposed changes to the Electricity Supply Standard Licence Conditions will ensure the licence reflects the necessary conditions for implementation of the Switching Programme?

Question 2: Do you agree that the proposed changes to the Gas Supply Standard Licence Conditions will ensure the licence reflects the necessary conditions for implementation of the Switching Programme?

Due to the similarity of Questions 1 and 2 we have chosen to submit a combined response.

We have been party to various working groups across the programme and have had the opportunity to challenge the drafting. While the proposed changes are reflective of our discussions we are unable to offer a view as to whether we agree or disagree given the aforementioned challenges and the ongoing discussions as to the future market design.