



Office of Gas and Electricity Markets

The ICT Project

Improving Customer Transfers

in the domestic and designated energy markets

Responses to Customer Representative and Industry Questionnaires: A Summary

IMPROVING CUSTOMER TRANSFERS

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1. Introduction

Domestic customers throughout Great Britain now have a choice of who supplies them with gas and electricity. The surveys undertaken for Ofgem by MORI indicate that the awareness of competition is very high, and that most switchers find the process painless.

However, the processes for transferring customers between suppliers are complex, which means that problems are often difficult and costly to diagnose and fix. When things do go wrong, the customer experience can be frustrating and even distressing. The complexity and opacity of transfer arrangements may also act as impediments to the development of competition, deterring new entrants and depriving customers of innovations in products and services.

Ofgem has initiated the Improving Customer Transfers (ICT) project to review the relevant processes and arrangements in the **domestic** gas and **designated** electricity markets. The project aims to understand current areas of weakness, to identify where improvements can be made, to assess whether the market infrastructure offers an appropriate framework, capable of supporting customer requirements in transferring between suppliers, and to make recommendations for improvements. Further information on the objectives and scope of the ICT project can be found in the ICT Project Improving Customer Transfers in the Domestic and Designated Energy market – Project Charter, which is available on request.

In May / June 2000 Ofgem issued questionnaires to gauge the views of the industry and customer groups on the current customer transfer processes in gas and electricity and to understand whether there was a requirement for change. In total 26 industry participants and 12 customer groups provided responses to the questionnaire.

In addition to issuing a questionnaire Ofgem has also met and continues to meet with organisations on a one to one basis to discuss the scope for potential improvements. Following further consideration and discussion with the industry Ofgem will be publishing a Consultation document in September 2000 setting out recommended changes and principles for the customer transfer process.

This document provides a summary of the responses to the questionnaire. Chapter 2 provides some further background on the questionnaire methodology. Chapter 3 highlights some of the main themes from the questionnaire responses. Chapter 4 provides a detailed analysis of responses to each of the questions asked. Chapter 5 highlights some of the conclusions from the responses provided.

2. Background

2.1. Questionnaire

The first part of the ICT project was designed to gauge the views of customers and industry participants on the effectiveness of the current processes for transferring customers between suppliers in both the domestic gas and designated electricity markets. Customer representative groups were used to identify the views of customers. It is recognised that a large proportion of contact by customers with these groups is stimulated by concern with the transfer process and the views of customers who have not experienced problems with the transfer process may therefore be underrepresented.

The most practical method of collecting data on such a large scale was to use a structured questionnaire. The questionnaire covered the range of activities associated with transferring customers between suppliers, ranging from reviewing access to customer data through to the problems in agreeing change of supplier meter reads.

The questionnaire structure generally asked for respondents to provide a quantitative response, typically on a scale of 1 to 5, and also to provide qualitative information to clarify responses and to suggest improvements. In some instances alternative approaches were adopted.

Questions asked for respondent's views on the gas and electricity industries separately to understand where differences were apparent.

The questionnaires for industry respondents and customer representatives were broadly similar. However, they varied where it was thought that one group did not have access to the relevant information to be able to answer a question or where a question was aimed at a particular group.

2.2. Industry Questionnaire

The industry questionnaire was issued in draft to members of the DCFG and CMRG forum for comments. Several amendments were made and the questionnaire was reissued with a request for responses by 2nd June 2000.

In total 26 responses were provided by industry participants. Respondents were asked to state on behalf of which part of the industry they were responding. Several respondents replied on behalf of more than one licensed activity and this is summarised as follows:

Organisation type

Gas Supplier	15
Gas Shipper	10
PGT	3
Electricity Supplier	14
PES Service Provider	7
Other	2

2.3. Customer Representatives Questionnaire

The customer representatives questionnaire was issued and responses were requested back by 23rd June 2000.

In total 12 completed questionnaires were received from customer representative groups. Whilst the questionnaire was sent to a broad range of groups including the caring agencies, responses were only received from ECC and GCC offices.

3. Main Themes From Responses

3.1. Data Quality, Access and Communications

Respondents reported some concerns about the quality of industry data, particularly the MPRN/MPAN and address data provided by PESs and PGTs. The accuracy and uniqueness of this data affects the ability to transfer customers correctly. Concern was most pronounced for IPGTs and in general respondents felt that there were serious impediments to competition on these networks. Respondents also felt that the large number of different source databases in the electricity market often caused problems where they were not synchronised.

There were also concerns about the inconsistency in the way in which data was held and published by the different service providers, which include Transco, IPGTs, and 14 PES's. Many respondents felt that the responsibilities for holding data and ensuring its quality were unclear, with several commenting that the proposed gas metering liberalisation added to the confusion. Almost a third of respondents reported that the responsibilities for holding data and ensuring its quality currently did not reside with the correct parties.

In gas, respondents felt that there were weaknesses because some key communication links were not available to all relevant parties. In particular, there were problems with communicating with IPGTs, and complaints that suppliers often had to communicate with Transco through their shipper unnecessarily.

There was some support expressed for a single communications framework for both industries. Parties felt that the existing communication systems were robust, but that there may be some benefit in reviewing the appropriateness of the existing communication technologies. One respondent noted that existing networks were over designed and too expensive.

There was some support for improving customer access to (better quality) data, especially details of the supplier responsible for their property, or the relevant MPRN/MPAN. Respondents noted the number of different parties that a customer might have to contact to obtain this information, and advocated that a single telephone number be established.

Some respondents felt that an independent central industry database would be of benefit, particularly in the electricity market. This could contain MPAN/MPRN and address data, as well as other data required to transfer. It could also potentially act as the industry supply point administration manager for the whole energy market. Respondents commented that such an approach could result in consistent data, processes and service levels, as well as acting as the source for customer enquiries about their supplier identity and MPRN / MPAN numbers. One respondent suggested that there could be public access to such a database, but noted potential security issues.

3.2. Timescales

Parties felt that where possible the timescales for transferring customers should be reduced but that this should not be done at the expense of quality. Currently, suppliers estimated that it took on average 6 to 8 weeks from a customer signing a contract to the take on of supply responsibility by the chosen new supplier. In many cases the time taken to transfer was much greater.

Several respondents felt that the existing systems, which dictated a long transfer timescale, were frustrating the introduction of new and innovative business models. The market infrastructure should not impede suppliers striving to compete on improved and innovative services. Industry participants felt that there were costs associated with making the changes required to facilitate shorter timescales and that the ability to operate to current timescales using existing systems should be maintained, alongside facilities for suppliers who wished to operate to reduced timescales.

The long transfer timescales also meant that where customers were transferred in error, then the time taken to correct that mistake was lengthy. Shortening timescales or introducing new ways of working are required to ensure that erroneously transferred customers are returned to their chosen supplier quickly. One respondent felt that the registration process should be handled retrospectively once a customer had identified that they had been erroneously transferred. It is clear from responses that the ICT Project needs to consider ways of either eradicating or reducing the impact of process errors on customers, which could require immediate or rapid transfers. Consideration should be given to same/next day transfers for circumstances such as changes of tenancy.

3.3. Alignment

Both customer representatives and industry participants said that there was a requirement for alignment between the gas and electricity transfer processes. Some respondents noted that alignment already exists to some extent, for example with the selling of dual fuel contracts, and that suppliers have the ability to align many transfer timings.

Parties felt that, where a system or process provided benefits in one industry, then it could potentially be applied to the other fuel. For example, respondents felt that the ability to withdraw registrations could usefully be extended to the electricity industry whilst the ability to inform the old supplier that there had been a change of tenancy and they should not object on grounds relating to the previous tenant, should be adopted in the gas market. Responses from industry participants indicated much support for the automatic notification of the identity of the other gas supplier, as in electricity.

Respondents felt that where similarities between the two industries already existed then these could usefully be aligned. Examples of this can be seen with the windows for obtaining and submitting opening meter reads which respondents felt should be the same, if slightly longer and the timing of the other components of the transfer process.

3.4. Transfer Meter Reads

Whilst there was general support for the desirability of an actual meter read for a successful customer transfer, many industry participants did not feel that it was feasible to impose a requirement for actual reads for every transfer. However, responses indicated that there was acceptance that customers wanted to have actual meter reads used in finalising and opening accounts. Some respondents advocated the introduction of incentives or licence conditions to increase the use of actual Change of Supplier (CoS) readings.

Respondents had varying views on the quality of deemed or estimated CoS readings. Similarly, there were diverse opinions on whether previous meter read history should be provided to incoming suppliers, to assist with the opening meter read process and support ongoing customer billing. Several respondents noted the proposal for the outgoing gas supplier to provide an estimated reading for the transfer date, and various other proposals to improve this aspect of the transfer process were put forward.

Responses to both questionnaires indicated that the current procedures for handling disputes about CoS readings were not fit for purpose and often confusing to customers. It was suggested that these procedures should be made mandatory parts of the mainstream transfer processes, and that the processes would be significantly improved if all parties adhered to defined response timescales. Some respondents considered that the current defined timescales were too lenient.

3.5. Process Failures & Performance Monitoring

Respondents clearly felt that the current transfer processes involved too many exceptions, such as agreed/disputed reads and erroneous transfers, and that the workarounds devised to deal with exceptions were inadequate and not adhered to sufficiently. Several parties felt that erroneous transfers and agreed / disputed reads should no longer be considered as exceptions but were part of the current mainstream transfer activity. As such consideration should be given to including these into the standard industry agreements and data communications. Standardisation was thought to be of benefit in reducing costs.

Customer representatives felt that when problems arose with a customer's transfer, suppliers did not deal with these well and were not good at explaining the issues to customers or communicating between themselves to resolve the problems.

There was general support for greater access to information on supplier identity, by both customers and the industry. Respondents believed that suppliers should receive automatic notification as part of the transfer process. This was thought to facilitate quicker resolution of problems that arose.

One of the key issues identified was how to ensure that participants adhered to the industry agreed rules. Several respondents felt that significant improvements could be delivered if all players performed to the levels required by industry agreements. Others felt that systems and procedures had been shown not to work and therefore required fundamental change.

The industry participants felt that there was not a significant role for the regulator in setting, monitoring and publishing performance standards over and above the minimum licence requirements. Some also noted that Ofgem does not have powers to require key players, such as metering agents, to provide information on performance achieved. However, customer groups felt that this was an important way of driving up standards, as it was evident that many aspects of the transfer process were failing both suppliers and customers.

3.6. Governance

One of the main obstacles to further alignment between the gas and electricity industries was felt to be the requirement to co-ordinate the separate governance regimes.

In general, respondents felt that the existing governance arrangements were not fully fit for purpose to deal with the resolution of existing problems, and were less likely to be able to handle fundamental change.

3.7. Changing

Industry participants noted that there were costs involved in changing systems for transferring customers but that there were also costs associated with not changing current operations, as these incurred significant volumes of exceptions.

Several parties felt that significant improvements could be delivered through better use of the existing systems. However, others felt that the existing market infrastructure had not been able to deliver an efficient low-cost transfer process, and that industry participants' ability to operate better with existing systems and protocols was limited. Several parties commented that the only way to drive down costs and improve service was through the introduction of significantly revised systems, seeking to engineer out many of the current shortcomings.

Several interesting proposals for amending the transfer process were made which merit further investigation. These included:

- on-line registrations such that exceptions were highlighted more quickly;
- only registering the customer once all of the transfer data had been collated by the supplier, so that change of supply was not delayed by process failures further down the line;
- improving the ability of suppliers to obtain data, for example by giving them on-line access rather than sending batch files and waiting for a response within a defined timescale.

Some respondents felt that the way forward was for there to be a two-tier or parallel approach allowing those who wanted to progress to the improved systems and practices to do so, whilst those players who did not, would be able to operate using the existing protocols and systems.

4. Questionnaire Responses

4.1. Customer Capture

4.1.1. Routes to market

Suppliers were asked for views on the current routes to market and how these were likely to differ in 3 years time. Routes to market influence the industry and customer requirements on the transfer process. (See figure 1).

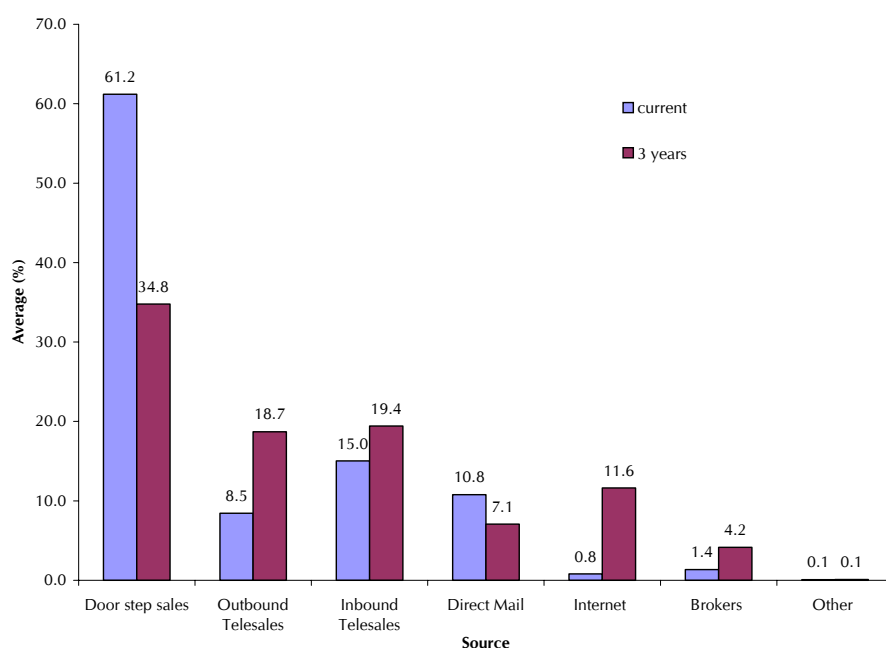


Figure1: Routes to market (Source: Suppliers)

Currently the dominant route is doorstep selling. Whilst suppliers expect doorstep selling to still be important in 3 years time, it is clear that suppliers will be increasingly turning to other routes, in particular inbound and outbound telesales and the Internet. Some suppliers also suggested that there will be an increase in cross selling of gas and electricity through links with other products.

4.1.2. Access to MPRN / MPAN details

Suppliers were asked for information on how they currently located MPRN and MPAN details when transferring a customer. The MPRN / MPAN is an essential data requirement when registering a customer for transfer. (See figure 2).

The greatest proportion of MPRN and MPAN data is collected directly from customers. This gives suppliers confidence that they have the correct details that they can then validate against their own systems and published industry data. The recently implemented Transco MPRN Internet service appears to be used for substantial volumes of enquires. Some suppliers indicated

that the MPRN / MPAN CD-ROMs provided by the distributors / Transco are not fully accurate or comprehensive. In such instances suppliers suggest that they contacted the distributors / Transco to verify information either by using the helpline services, fax or email.

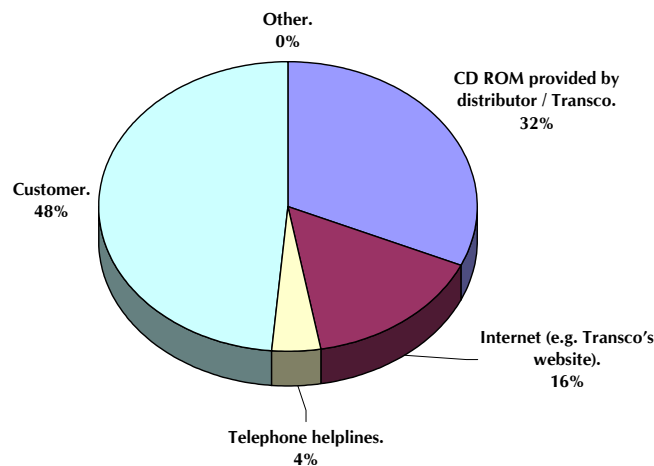


Figure 2: MPRN / MPAN source (Source: Suppliers)

4.1.3. Accuracy of MPAN / MPRN and address details

Industry participants were asked for their views on the accuracy of the MPAN and address details provided by PES service providers and on the accuracy of MPRN and address details provided by PGTs. For the gas market, respondents were asked to distinguish between Transco and IPGTs. (See figure 3). The accuracy of these data items is essential to allow suppliers to identify the correct site for transfer. Problems with the accuracy of this data may cause rejections, erroneous transfers and delays in customer transfer.

Respondents believed that the quality of MPAN and address details in the electricity industry was better than that held in the gas industry. Only one respondent felt that the level of accuracy was fit for purpose in electricity. In the gas industry no respondent felt that the MPRN quality was fully fit for purpose. The data held by IPGTs was considered to be of poorer quality than that held by Transco.

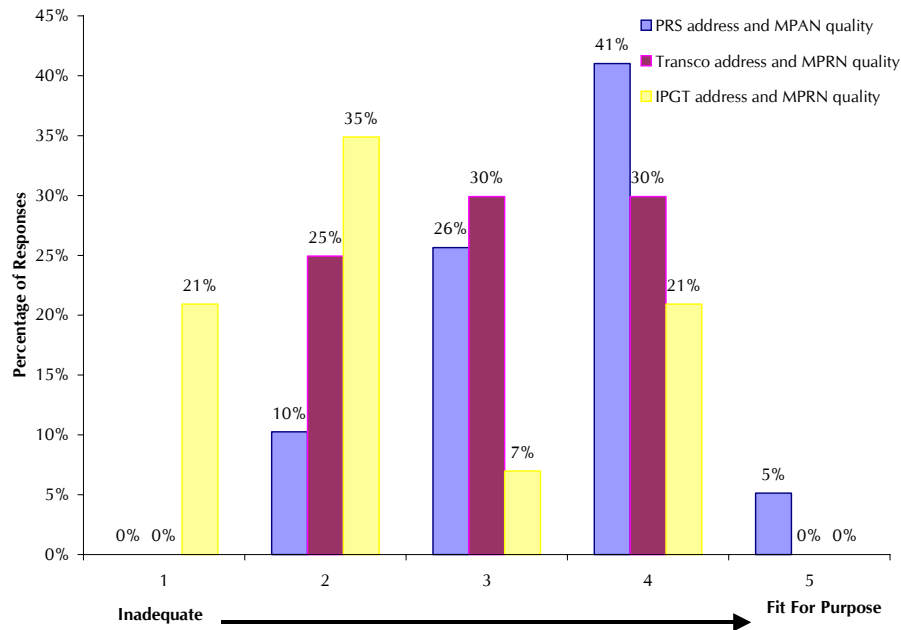


Figure 3: Accuracy of MPAN / MPRN and address details (Source: Industry)

4.1.4. Obtaining transfer data

The industry was asked for their views on the difficulty of obtaining relevant data to allow them to successfully transfer customers for example, customer details and MPRN / MPAN. (See figure 4).

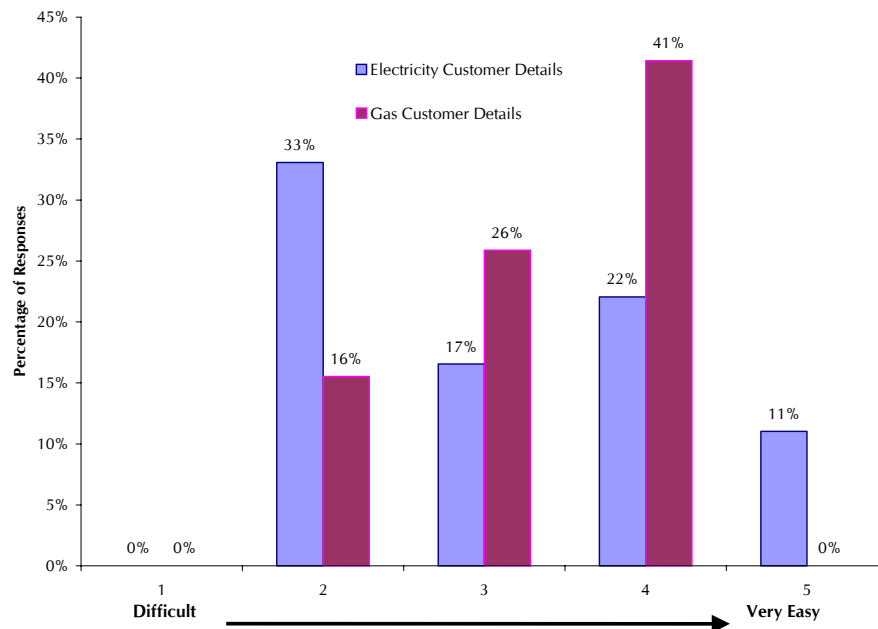


Figure 4: Ease of obtaining transfer data (Source: Industry)

Respondents felt that it was not easy to get access to the relevant details to allow them to transfer electricity customers. In the gas market respondents felt that it was less difficult to get access to this information but it was still not very easy.

In the electricity market it was suggested that the number of 2 way D Flows should be reduced and that it would be helpful to have access to the full MPAN prior to transfer rather than just the core supply number. In particular a request for the meter time-switch code was made.

Several organisations said that it would be useful to have a central database containing MPAN and address details. The disparate nature of information in the electricity industry between MPASs meant that suppliers were reliant on feedback from customers. A central, independently run database would be more focused on data quality issues. One organisation said that the MPAS CD-ROMs were not updated frequently enough.

One organisation said that whilst they were increasingly using Transco's MPRN Internet facility rather than the helpline service, in practice the Internet was unreliable. One organisation said that there were postcode discrepancies between the Transco data and PAF. Dummy and duplicate MPRNs were thought to be a problem.

There was a general concern that the quality of data was poor on IPGT networks and that data was difficult to obtain.

4.1.5. Registration withdrawal in the electricity market

In the domestic gas market, suppliers are able to withdraw their request to take over ownership of a site up to D-7, for example where they have made an error and confirmed the incorrect site. Industry players were asked for views on how useful such a facility would be in the electricity market. If such a facility was introduced then this may allow suppliers to prevent some erroneous transfers, for example where they realise that they are transferring the incorrect customer or where they receive notification that the customer no longer wishes to transfer. (See figure 5).

There was substantial support amongst respondents for this facility to be introduced in the electricity market. The majority of respondents felt that it was fairly essential.

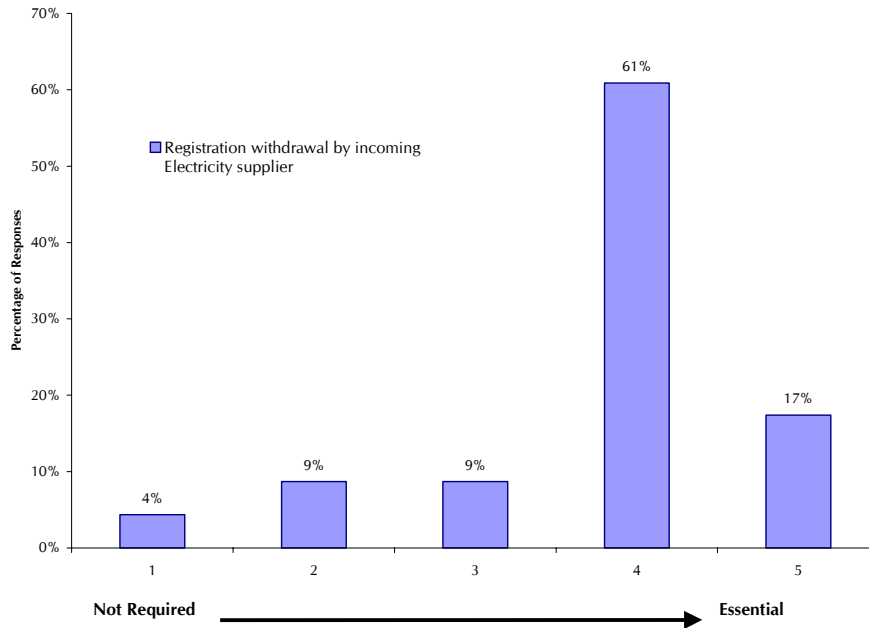


Figure 5: Registration withdrawal in the electricity market (Source: Industry)

4.2. Customer Access to Data

4.2.1. Customer awareness of their MPRN / MPAN

Customer representatives were asked whether they believed that customers were aware of their MPRN / MPAN. (See figure 6). If customers are aware of their MPRN / MPAN then they are more likely to be able to provide this data to suppliers when transferring which should impact on the level of erroneous transfer and delays in transfer.

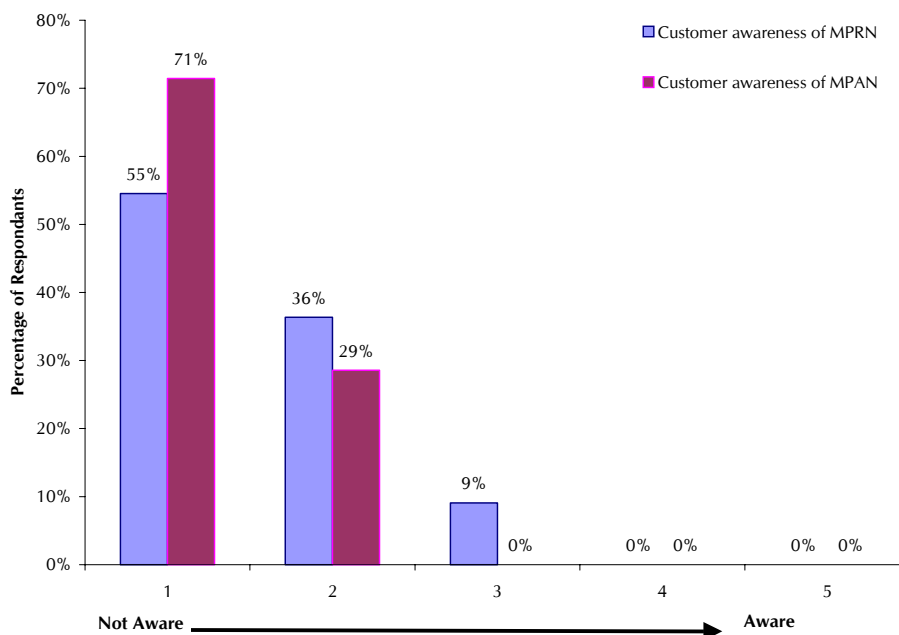


Figure 6: Customer awareness of their MPRN / MPAN (Source: Customer Representatives)

Respondents strongly believed that customers were not aware of their MPRN / MPAN details. However in general respondents believed that customers were able to locate the number when they were directed to it for example by the supplier. Some respondents felt that customers were not aware that their MPAN / MPRN was on their bill.

Some respondents felt that customers were not aware of the significance of their MPRN / MPAN and that the regulator should do more to promote understanding. One respondent noted that customers who had recently moved into a new premises found it difficult to find their MPRN / MPAN as they did not have a previous bill.

4.2.2. Customer ease of obtaining their MPRN / MPAN

The industry was asked whether they believed that it was easy for customers to obtain their MPRN / MPAN numbers. (See figure 7).

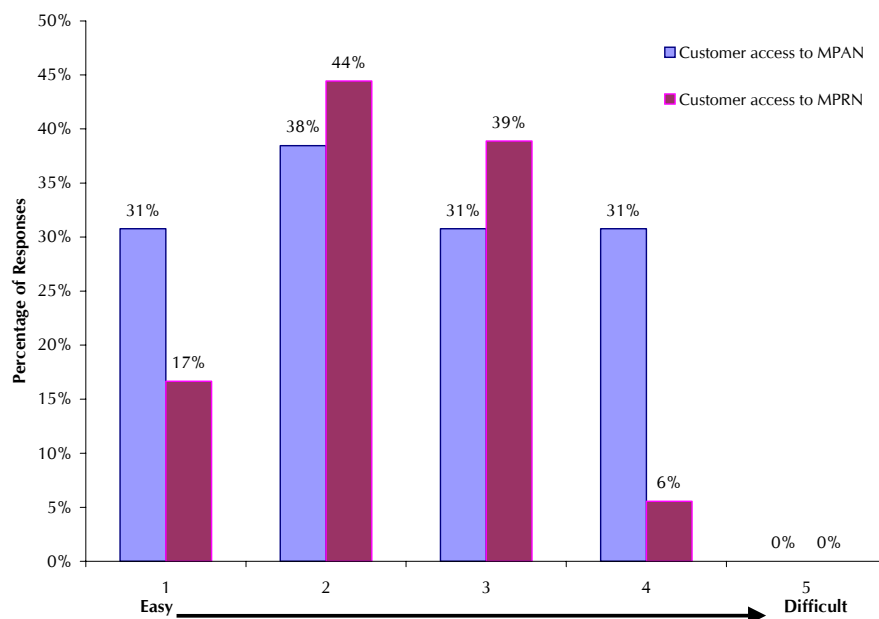


Figure 7: Customer ease of obtaining their MPRN / MPAN (Source: Industry)

The majority of respondents felt that it was relatively easy for customers to obtain the MPRN for their gas supply. Opinion in the electricity market was more divided. Whilst no respondent thought that obtaining the MPAN was difficult, 31% thought that it was fairly difficult.

Whilst one respondent felt that customers were given a full range of options to obtain their MPAN, for example it was printed on the customer's bill and each MPAS operation maintains an enquiry service, others felt that there were problems. One respondent said that there was insufficient publicity for the MPAN enquiry services and on other suggested that some PESs only provided MPANs to customers by letter to the address of the site, which would add to the change of tenancy problems.

4.2.3. Customer access to Supplier ID information

Customer representatives and industry players were asked for their views on how easy it was for customers to find out the identity of their gas and electricity suppliers; for example after an erroneous transfer or a change of tenancy. (See figures 8 and 9). This information is required by the customer in such circumstance so that they can initiate the process of resolving the issue with the minimum of cost and effort.

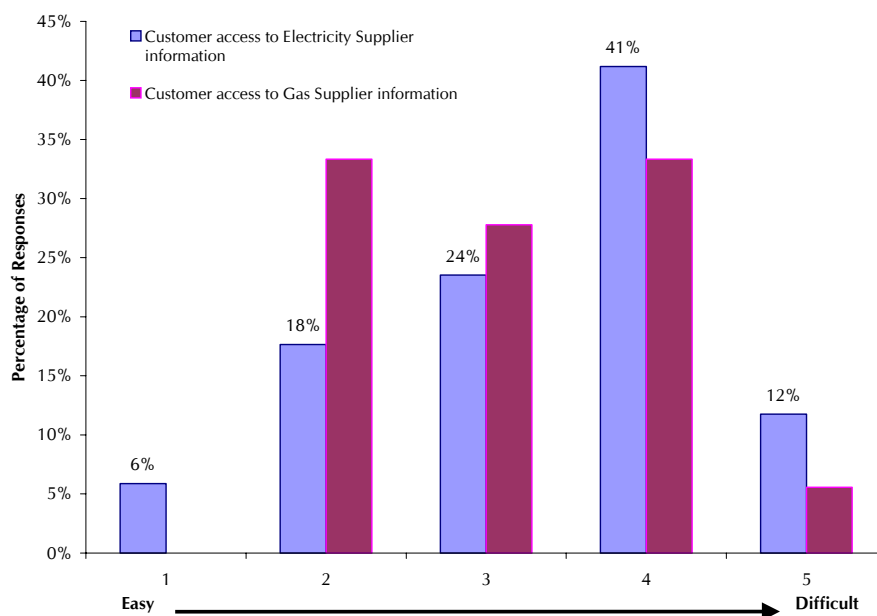


Figure 8: Customer access to Supplier ID information (Source: Industry)

Slightly more industry respondents felt that it was difficult rather than easy for customers to find out the identity of their gas supplier. Respondents felt that it was more difficult for customers to identify their electricity supplier.

One respondent said that customers did not understand the relationship between suppliers and the MPAS / PGT. They believed that the supplier should sort out problems for them. Respondents said that the Transco helpline and MPAN enquiry services should be more widely publicised. Two respondents said that suppliers should provide a sticker with their contact details for customers to put on the meter.

One respondent suggested that the issue of supplier IDs on change of tenancy could be given a higher profile by landlords, estate agents and letting agent organisations.

One respondent said that there should be a national database serving the dual fuel market. Customers could then be made aware of a single national telephone number to find out the identity of their gas or electricity supplier. One respondent said that an Internet service with public access should be established but recognised that there were security issues.

One MPAS said that they received many calls from electricity suppliers wanting to know whether they were the supplier for that site.

Several suppliers noted the recent improvements in the gas industry whereby Transco were now able to provide customers with information on their supplier rather than shipper.

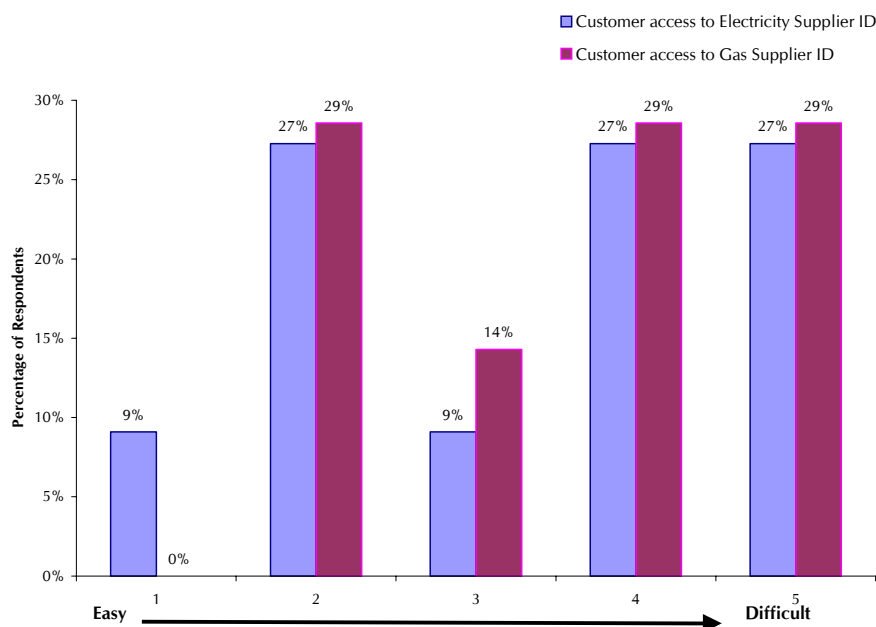


Figure 9: Customer access to Supplier ID information (Source: Customer Representatives)

The opinions of the customer representative groups were divided on this matter both in the gas and electricity markets. In general respondents believed that it tended to be difficult for customers to access this information.

Several respondents said the existing practices appeared to work, but would be easier if the customer's nominated supplier was able to find out the details rather than having to direct the customer to the MPAS / PGT. Several also believed that the MPAS enquiry service and Transco helpline needed more publicity and suggested printing the number on customers' bills.

One respondent said that a single national number for customers to call their MPAS service would be useful. Another believed that there should be a single national database holding this information.

One respondent said that customers did not need to know the identity of their supplier on change of tenancy, they just need to enter into a contract with the supplier of their choice.

Several respondents believed that estate agents had a role to play in collecting and providing this information to new occupants potentially in accordance with a code of practice. One respondent suggested that meter stickers could help provide this information to new occupants.

4.3. Transfer Timescales

4.3.1. Current transfer timescales

Suppliers were asked how long on average it took them to bring a customer on supply following entering into a contract. (See figure 10).

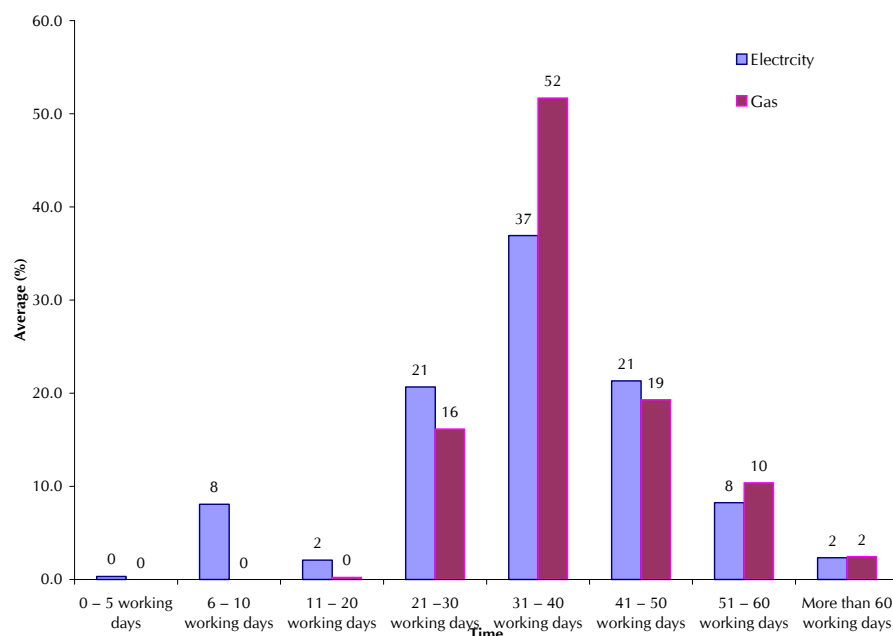


Figure 10: Current transfer timescales (Source: Suppliers)

The transfer timescales in gas and electricity are broadly similar. The vast majority of transfers take place 31 to 40 working days (6 to 8 weeks) after entering into a contract with the customer. Some transfers take place on a shorter timescale, particularly in electricity where customers are technically able to transfer the next day. In the gas market there is a minimum period between a supplier requesting a transfer and that transfer taking place of 3 weeks.

A significant proportion of transfers in the gas market take more than 60 working days. This means that a customer has waited for more than 12 weeks from entering into the contract before actually transferring to the supplier of their choice.

In general there is a significant time period between when a customer enters into a contract and when the chosen supplier takes on supply responsibility.

4.3.2. Acceptability of current transfer timescales

Customer representatives and industry participants were asked whether they believed that the typical transfer timescales that customers experience when they transfer supplier are reasonable. (See figures 11 and 12). Figure 10 indicates that in general a customer can expect to wait 6 to 8 weeks between entering into a contract and transferring to the supplier of their choice.

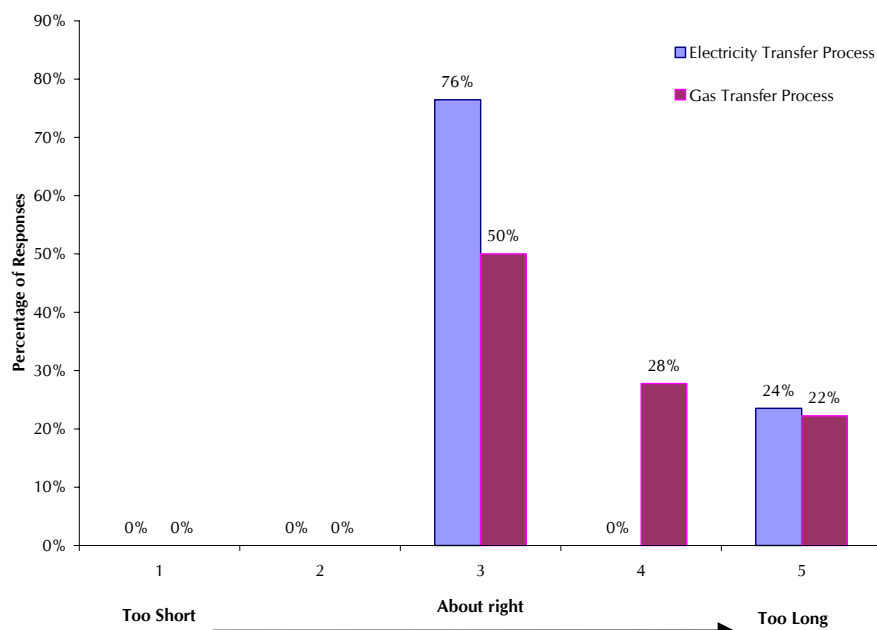


Figure 11: Acceptability of current transfer timescales (Source: Industry)

Industry participants believed that the current transfer timescales were not too short and in general were about right. Several respondents felt that the timescales were too long, a view that was firmer in the gas industry.

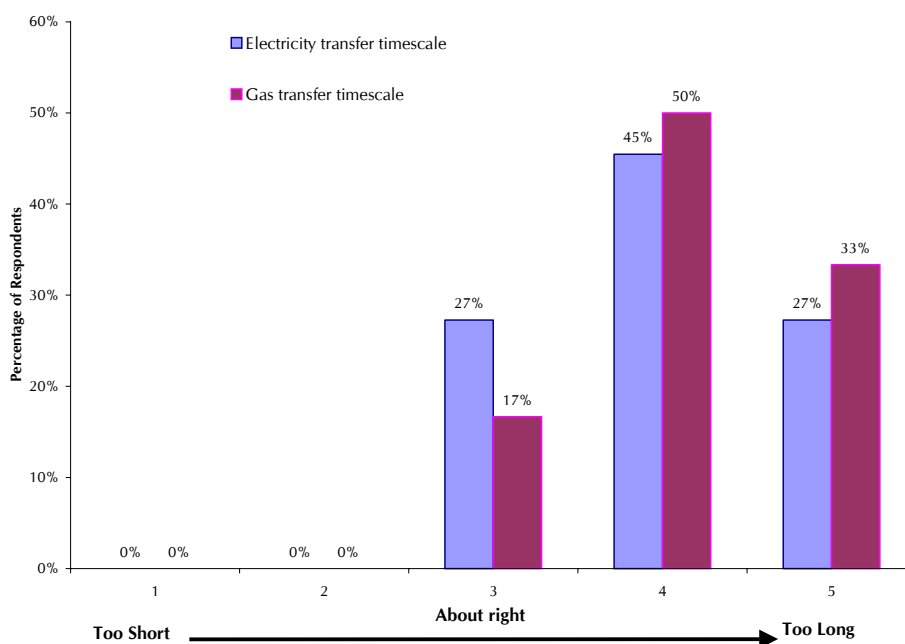


Figure 12: Acceptability of current transfer timescales (Source: Customer Representatives)

Customer representatives considered that the transfer timescales were too long with the majority of respondents believing this to be the case.

4.3.3. Proposals for shortening transfer timescales

Industry participants were asked for views on how the process for transferring customers between suppliers could be done more quickly.

One respondent said that all the necessary change of supplier related information should be available at start of the process. This would give suppliers more control and would reduce exceptions. Another respondent suggested introducing an “expressed transfer” where the MPRN/MPAN are known and the supplier has an actual meter reading available. Potentially the registration could take place after the relationship with the customer has been transferred to the new supplier.

One respondent said that simplifying the role of agents would reduce timescales. Another respondent suggested that the D149 and D150 should be reduced to one flow and that that D11s should be produced promptly.

One respondent pointed to the initiative in the gas industry for the old supplier to provide the incoming supplier with an estimated meter read for the change of supply as an alternative method. It was suggested that this could result in a simpler process with higher quality customer bills.

One respondent said that problems with exceptions created the impression that the transfer process was too long or ineffective. Improved and more robust data quality would enable the industry to cut-down on time built in for resolving data quality issues. Two respondents said that objections by the existing supplier both for debt and insufficient termination notice were delaying customer transfers.

In gas, removing the shipper from the earlier stages of the transfer process could reduce timescales. The shipper could be notified of the transfer a few days prior to the transfer date, which would provide sufficient time for them to arrange gas inputs etc.

Several respondents suggested that the audit period required by the marketing licence condition was leading to delays in customer transfers. It was suggested that the cooling off period should be reduced from 14 to 7 days in all cases.

One respondent suggested that the most significant factor in determining the transfer timescale was the quality of the in house process at the confirming supplier.

4.3.4. Next day transfers

Industry participants were asked whether they believed that next day transfers were a realistic goal for the industry. (See figure 13). Customer representatives were asked whether they believed that customers expected / required to be transferred the next day. (See figure 14). Under current industry arrangements it is technically possible to transfer electricity customers

the next day but in practice this is rare. In the gas industry the minimum transfer period is 14 working days (or 7 in exceptional circumstances).

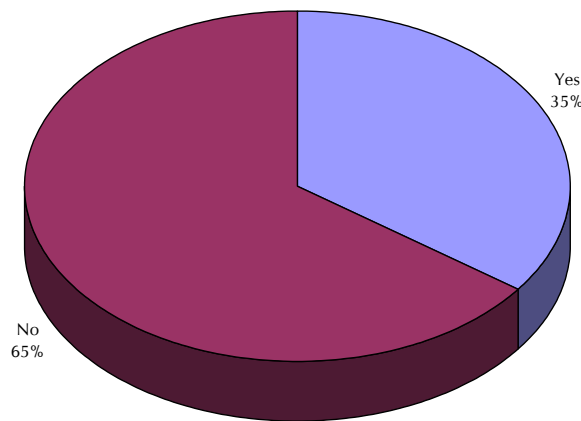


Figure 13: Are next day transfer a realistic goal for the industry (Source: Industry)

The majority of industry respondents (65%) said that next day transfers were not a realistic goal for the industry. However there were suppliers who felt that this was realistic.

Some suppliers believed that it was possible where the supplier was able to obtain and process all of the relevant transfer data in advance of the customer registration.

Several respondents said that next day transfers would require substantial redevelopment of existing processes and that at present with agent competition and NETA it was unwise to undertake major redevelopment that could lead to market disruption. It was suggested that the associated changes to systems would be costly to implement.

Next day transfers may be of more use in certain situation than others, for example to handle changes of tenancy.

Several suppliers believed that the quality of data may prohibit next day transfers and that it was almost impossible for information to flow fast enough for trading and operations departments to be able to purchase gas to cover switching rates, within a next day transfer period.

Several respondents noted that next day transfers would be impacted by the current requirements to provide customers with a cooling off period and may not allow for processing of objections or arranging actual change of supplier meter reads.

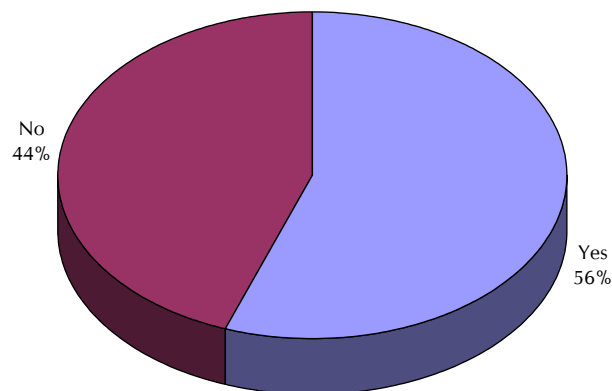


Figure 14: Customer expectation / requirement for next day transfers (Source: Customer representatives)

The majority (56%) of customer representatives said that next day transfers were a customer expectation / requirement.

Several respondents said that customers had now been conditioned to expect that the process would take weeks rather than days. One respondent said that customers have no comprehension of the processes to be gone through for transfer. When these processes are explained they feel it should take no more than a few days at most.

Some respondents said that it was not necessarily the speed, but accuracy of transfer which was more important to customers.

One respondent noted that customers had different expectations. Some customers expect next day transfer in some circumstances, such as new occupancy or in resolving an erroneous transfer, but others did not.

4.3.5. Alignment between gas and electricity transfer processes

Customer representatives and industry participants were asked whether they felt that the processes and timings for the customer transfer processes in the electricity and gas industries should be aligned so that customers can change electricity and gas supplier at the same time. (See figures 15 and 16).

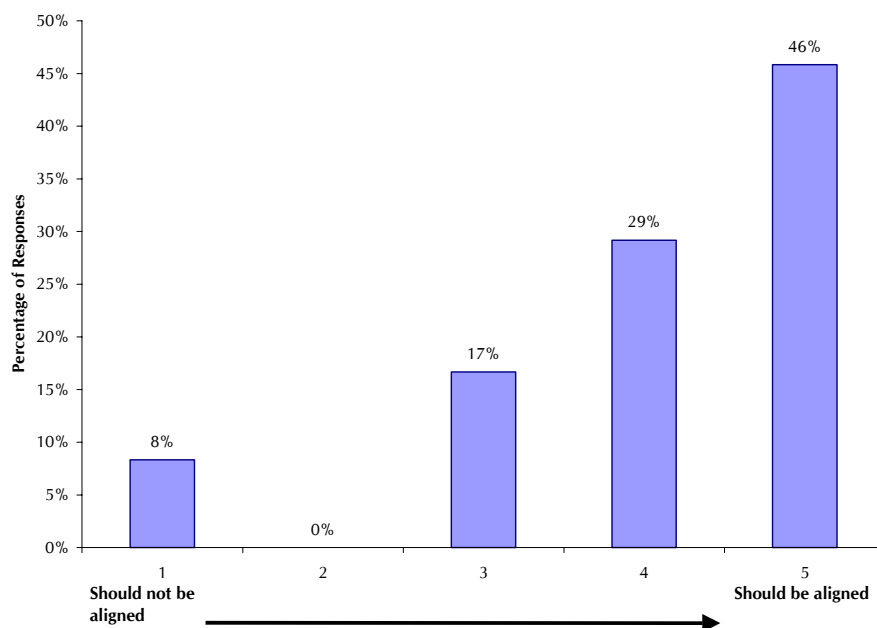


Figure 15: Alignment between gas and electricity transfer processes (Source: Industry)

There was a very strong view from the industry that there should be alignment between the gas and electricity transfer processes.

Some respondents believed that it was already possible to align the transfers of some customers. Objection and meter reading timescales were thought to be the main obstacles. It was noted that any changes to meter reading timing would need to incorporate settlement issues.

Several suppliers thought that alignment issues should be customer driven. In theory the customer should not be able to distinguish any differences between a gas or an electricity transfer. Alignment was essential for change of ownership/tenancy. In some circumstances alignment is not required and the ability to process the transfers of each fuel separately should be available.

One respondent said that alignment would require a joint change management process across both industries and suggested that it would be difficult to make this process effective.

Several respondents said that there would be costs associated with aligning the transfer systems.

There was also extremely strong support for alignment between the gas and electricity transfer processes from the customer representative groups.

Many respondents believed that dual fuel deals were increasingly becoming the norm and that the registration systems should be able to reflect this. One respondent noted that this would help consumers by being less confusing and would simplify the enforcement of standards and customers' rights.

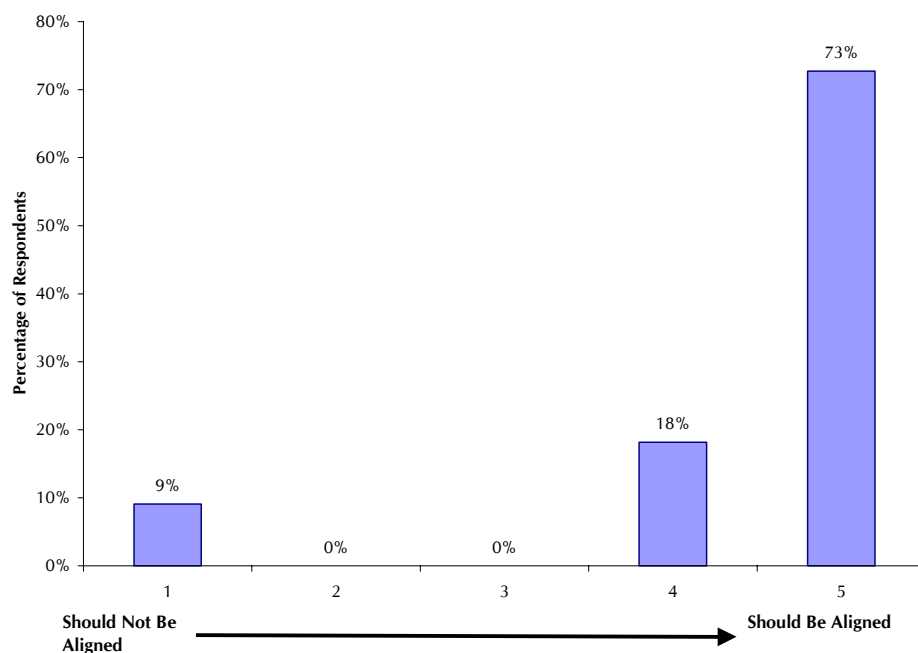


Figure 16: Alignment between gas and electricity transfer processes (Source: Customer representatives)

4.4. Prepayment Customer Transfers

4.4.1. System related barriers to transferring prepayment customers

Both industry participants and customer representative bodies were asked whether they believed that there were any system related problems experienced by prepayment customers when attempting to transfer to a new supplier and for their views on how any such impediments could be addressed.

Several industry respondents believed that there were no system-related barriers to transferring prepayment customers. Problems with this market sector reflected the economics of supplying prepayment customers and other issues such as customer debt.

Several industry respondents said that in electricity problems arose because there were 14 different infrastructure providers several of whom have more than one meter type which prevents consistency of systems, approach, costing and performance.

For both gas and electricity, industry respondents said that problems were caused by misdirected prepayment changes. It was also felt that the transfer processes do not allow easy identification of customers with prepayment meters.

One industry respondent said that as tariff options are restricted it was difficult for suppliers to vary tariffs offered to customers.

It was suggested that the need to organise new keys/cards for customers when they came on supply caused delays in the transfer process.

Customer representatives indicated that there were problems when a customer moved into a property which had a prepayment meter and the emergency credit has usually been used up, so the customer's supply was off. The customer may have to find out who the existing supplier is so they can immediately get a key/ tokens from them. This may not be the supplier of their choice, but due to the time it takes to transfer it would take weeks to bring such a customer on supply and get some tokens/ key to them. This problem would be reduced by a shorter transfer timescale.

It was felt that debt was preventing many prepayment customers from transferring.

4.5. Contract Cancellation

4.5.1. Contract cancellation rates

Suppliers were asked for information on the percentage of all contracts that they enter into with customers that are subsequently cancelled. (See figure 17).

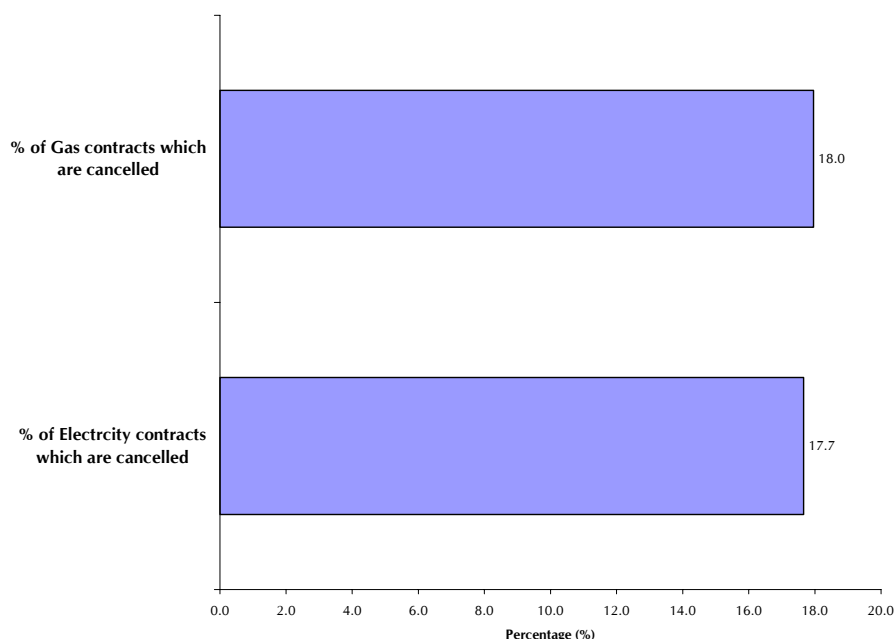


Figure 17: Percentage of customer contracts cancelled (Source: Suppliers)

The percentage of contracts cancelled in the gas and electricity markets is broadly similar at 17% to 18%. There was however a significant variation between different suppliers. Several suppliers believed that their cancellation rates were less than 10% whilst one supplier said that their cancellation rate was more than 30%. It is likely that variations will be caused both by individual company practices and the method through which the contract was marketed and sold to the customer.

4.5.2. Timing of customer contract cancellations

Suppliers were asked to profile when they effected the cancellation of the customer contract. (See figure 18a).

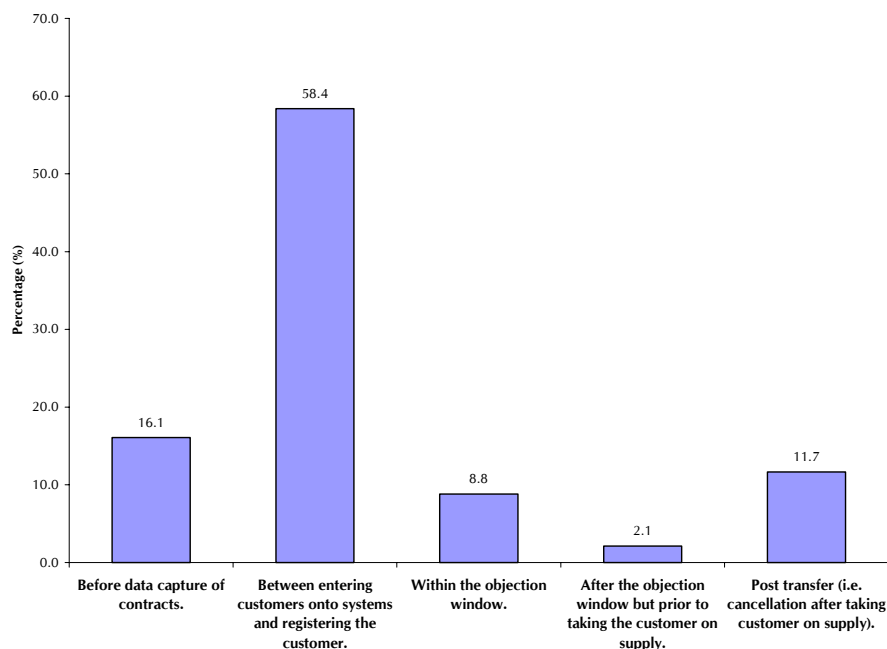


Figure 18a: Timing of customer contract cancellations (Source: Suppliers)

The majority of contracts are cancelled between the time that suppliers enter customer contracts onto their systems and registering the customer for transfer. Around 10% of contracts are cancelled post registration but prior to actual transfer. At this point suppliers can either withdraw confirmations (in the gas market) or request a co-operative objection from the incumbent supplier. Over 11% of contracts were cancelled post transfer. In such situation it is likely that the customer would need to be returned to their original supplier using the erroneous transfer process or a win-back process.

Several respondents questioned the terminology used in this question as they did not believe that cancellations received post transfer were true cancellations but should be referred to as terminations.

4.5.3. Cancellation rates for different routes to market

Suppliers were asked to provide information on the proportion of customer cancellations that they received against the route through which they entered into the contract with the customer. (See figure 18b).

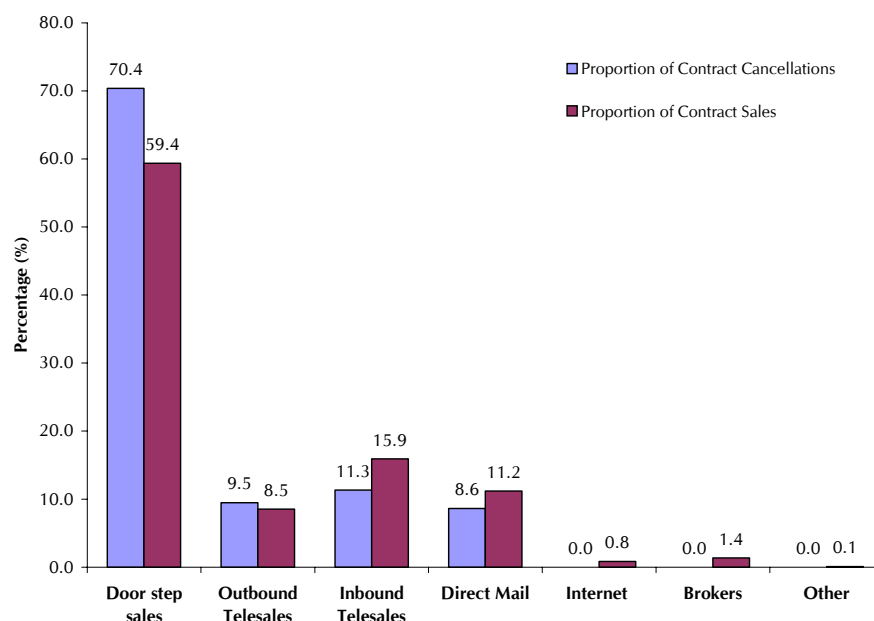


Figure 18b: Proportion of contracts cancelled compared to the contract source (Source: Suppliers)

The proportion of cancellations against each route to market is broadly reflective of the importance of that route as a source of contract sales. However it is noticeable that doorstep selling has proportionally more cancellations than other routes to market. This suggests that whilst doorstep selling is the most heavily used and successful route to market it is more prone to cancellations than other techniques. Those routes to market which require the customer to initiate the making of the contract for example inbound telesales and direct mail appear to experience lower proportions of contract cancellations.

4.5.4. Cancellation methods

Suppliers and customer representatives were asked for their views on how effective they believed the methods were by which customers cancelled contracts. Suppliers were only asked to comment against those methods which they themselves employed. (See figure 19 and 20).

In general suppliers believed that the methods through which they were identifying customer cancellations were more satisfactory than unsatisfactory. The least effective methods appeared to be termination notice, Internet/email and notice from the old supplier.

The views of customer representatives differs from those of suppliers. Customer representatives believe that there appear to be problems with the operation of the majority of cancellation methods. In particular there is concern that telephone calls from customers are not being adequately dealt with.

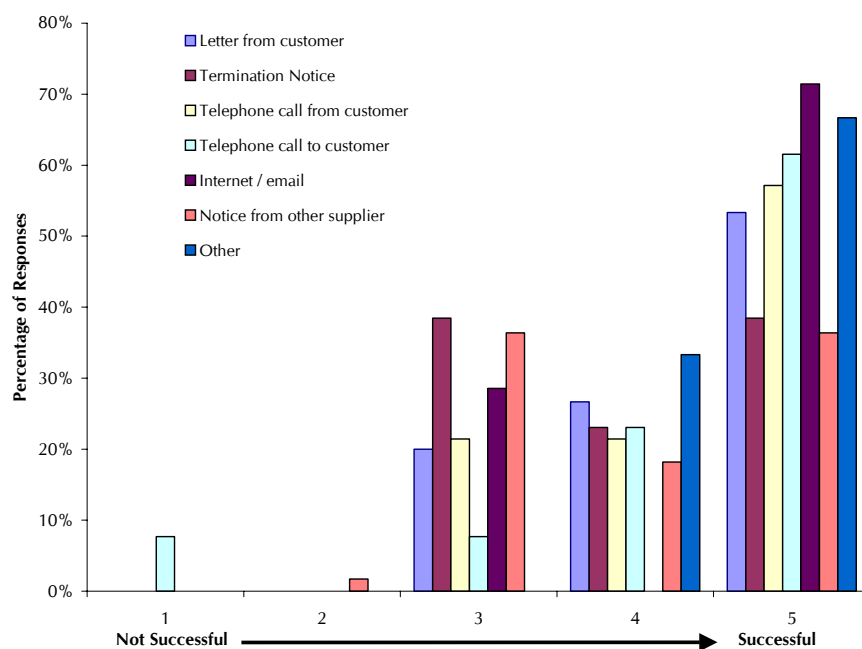


Figure 19: Effectiveness of cancellation methods (Source: Suppliers)

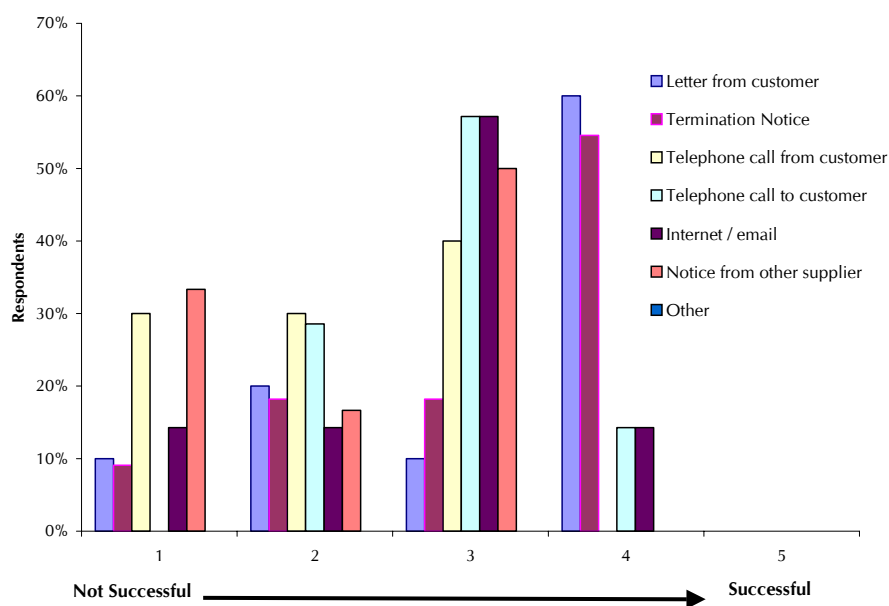


Figure 20: Effectiveness of cancellation methods (Source: Customer representatives)

4.6. Reasons for customers cancelling contracts

Suppliers and customer representatives were asked for their views on why customers cancelled contracts. In general, the reasons suggested by both groups were similar. The most frequently mentioned reason suggested by suppliers was that customers had simply changed their minds. For example when the customer now wished to stay with their current supplier, it was too much hassle to change, customer believes that they are better off elsewhere or a partner is unhappy with proposed transfer.

Other respondents believed that customers cancelled contracts due to such things as the time taken to transfer and being dissuaded by third party (friend / relative). Several respondents believed that action by the incumbent supplier was prompting customer cancellations.

Several respondents pointed to poor marketing practices as a cause for cancellations. In particular, where the customer did not realise they had signed a contract when the salesperson called, where the customer was confused or in two minds about changing their existing arrangements following entering into a contract, where the customer was unhappy with sales agent approach or felt that they have been unduly pressurised by sales people and where the customer believes that they have been misinformed.

One respondent believed that customers cancelled contracts if they heard bad press about their prospective new supplier.

4.7. Identifying Suppliers / Supplier IDs

4.7.1. Automatic notification of supplier identity

Industry participants and customer representatives were asked for their views on whether it was beneficial for suppliers to be automatically provided with the identity of the other supplier in the transfer process in all cases. (See figures 21 and 22). Ofgem have concerns about suppliers knowing the identity of the other supplier in the transfer process relating to the operation of the competitive market but recognise that this information can be extremely helpful in resolving customer problems. In the electricity market the facility currently exists for the incumbent supplier to automatically be made aware of the identity of the supplier who is attempting to take over one of their customers.

In the electricity market where a facility for automatically providing suppliers IDs already exists, respondents were unanimous in stating that such a facility should be made available. The vast majority of respondents (88%) also believed that such a facility should be made available in the gas market.

On balance respondents felt that this information could be shared in a mature market. One respondent said that due to the issues surrounding potential abuses of this information the ability to turn the facility on or off easily should also be considered.

The majority of customer representatives also felt that the facility for automatically providing suppliers IDs should be made available.

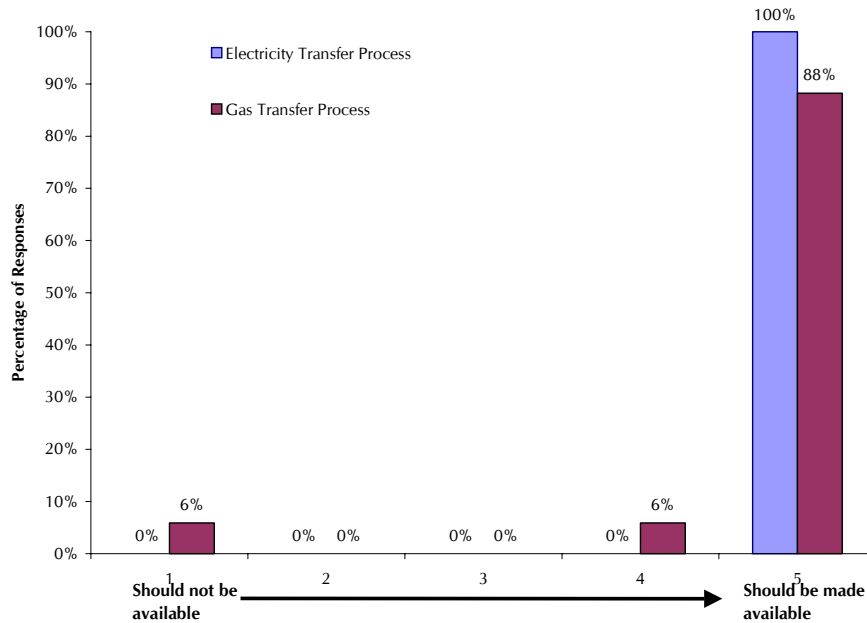


Figure 21: Automatic notification of supplier identity (Source: Industry)

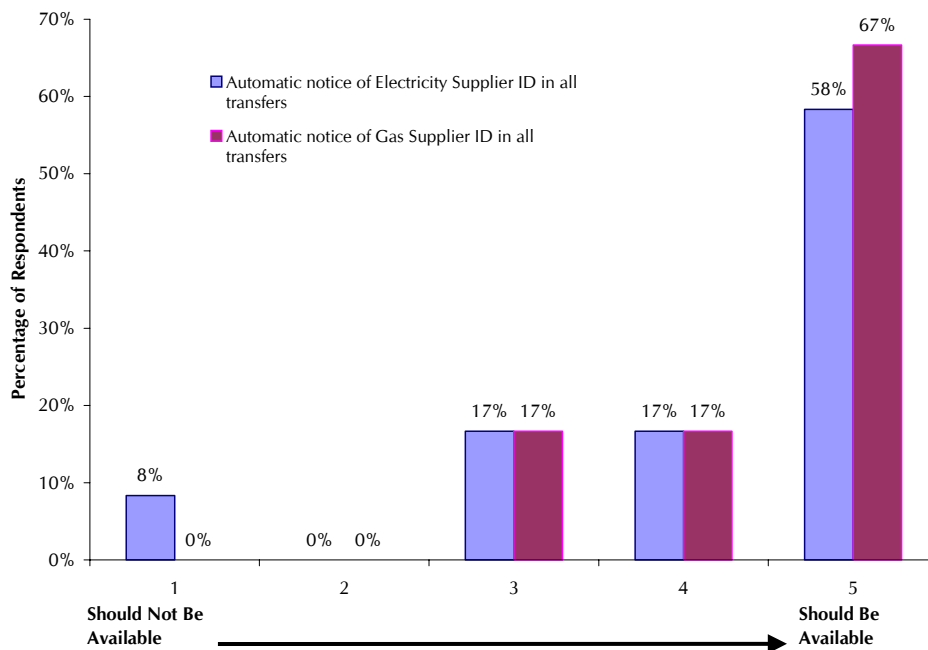


Figure 22: Automatic notification of supplier identity (Source: Customer representatives)

4.8. Rejected Registrations

4.8.1. Reducing rejected registrations

Industry parties were asked for views on what improvement could be made to the transfer process to reduce the proportion of registrations that were rejected in the gas and electricity industries.

Several respondents said that improvements should be made to the accuracy of the databases held by PGTs and distributors. It was felt that access to this information should be improved for example through an online Internet service. One respondent said that with full and open information, rejections should only arise as a result of keying errors. Alternatively, registration could be made on-line so that errors could be identified and resolved more easily.

Several respondents felt that PAF updates should be co-ordinated across the electricity market for all systems on the same day.

Several respondents suggested unbundling of data management services from the PGT and distribution companies as a major step forward in improving data quality and access.

One respondent suggested that the registration requirement in the gas market should change from MPRN and postcode to just MPRN as in electricity. Another respondent suggested that only the "in" part of the post code should be required rather than both the "in" and "out" code.

One respondent said that a large proportion of their rejections in the electricity market stemmed from suppliers not fulfilling their obligations under MRA clause 24.3 to update the host PES of any changes to the site details which then prevents new suppliers registering. This was a particular problem for new connections.

Several respondents noted the problems in the gas market with dummy MPRNs that are not recognised by Transco, duplicate MPRNs and sites which have not been confirmed following siteworks, all of which led to rejections.

4.9. New Builds / Siteworks

4.9.1. Impact of new builds / siteworks on transfers

Industry participants said that typically less than one percent of their attempted transfers were being frustrated due to issues arising from premises being a new build or a sitework. However this tended to vary between suppliers with some suggesting that up to 5% of their transfers were being frustrated by these issues.

Respondents felt that many of the problems related to data quality issues. In particular the transition from plot numbers to full address details meant that the databases were often not synchronised.

Respondents indicated that there was a need for a standard new connection process in electricity. The link between the installation of services and meter needed to be made stronger as often suppliers are not appointing meter operators early enough in the process to allow them to respond and customers are left without a supply.

In the gas market problems arose from suppliers not confirming sites following siteworks. In such instances a customer will not be able to transfer to an alternative supplier. This issue is currently being looked at by Review Group 0347. IPGT sites cause suppliers difficulties due to the manual processes involved.

4.10. *Objections*

4.10.1. *Objection issues*

Ofgem have consulted on removing the right of suppliers to object on grounds of insufficient termination notice and for debt. Industry participants and customer representatives were asked whether there were any other issues related to the ability of the old supplier to block a transfer by raising an objection that should be included within the scope of the ICT project.

Several industry participants said that the facility for suppliers to agree co-operative objections should be incorporated into the gas industry. Several felt that this facility was important in the electricity industry to prevent erroneous transfers especially as electricity suppliers were not able to withdraw their own registrations. Several industry participants suggested that the co-operative objections procedure should be standardised and improved.

Several industry participants said that strict controls were required on the old supplier raising co-operative objections “on behalf of” the customer to ensure that this process was not being abused.

One industry participant suggested that systems and processes should be amended to allow a supplier to disclose the objection reason to the other supplier.

One industry participant said that the objection window is relatively short and needs all parties to act quickly to meet the timescales. When the window was missed for a co-operative objection then this led to an erroneous transfer.

Several customer representatives suggested that companies' exit letters should be monitored to ensure they do not contain anti-competitive sentiments and that they do not lead to objections in inappropriate circumstances.

4.11. Erroneous Transfers

4.11.1. Processes for returning erroneously transferred customers

Industry parties and customer representatives were asked for their views on whether the processes to return customers who have been erroneously transferred needs to be made more efficient. (See figures 23 and 24). To a large extent the efficiency of these processes will determine problems that customers face when trying to return to their original supplier.

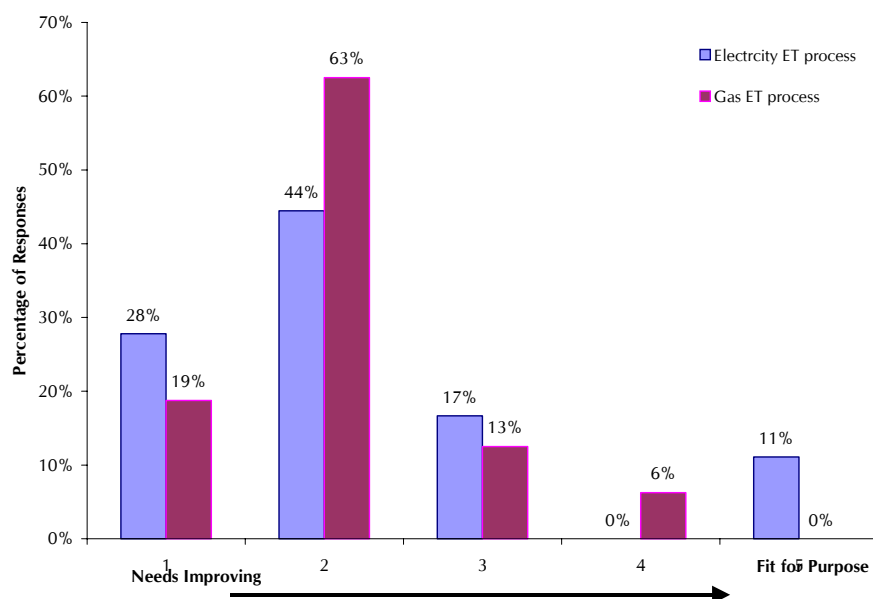


Figure 23: Processes for returning erroneously transferred customers (Source: Industry)

A significant proportion of respondents said that the processes for returning customers to the supplier of their choice following an erroneous transfer needed to be improved. Over 70% of respondents strongly or fairly strongly believed this to be the case.

Several respondents said that the industry should agree common processes for gas and electricity, several also felt that decreasing the transfer timescale would be of benefit in returning customers. One respondent said that a separate re-registration process for ET's, to avoid the need to have to provide a meter reading and to remove the objections window would be of benefit.

Several industry participants suggested that the process in electricity for returning customers was not always applied properly. Several thought that procedures should be amended to provide certainty that the message has been received and that action is being taken and that it would be useful to have a code of practice as a guide for response timescales, appropriate actions, cut-off dates etc. It was also suggested that feedback on causes of ET's would be of use to ensure that the appropriate corrective action is taken.

By contrast the use of email to transmit data (Biscuit) in gas has improved the information transfer with the majority of suppliers but it was felt that it now needed to be extended to all suppliers.

One respondent said that the processes for returning customers should be supported by the same levels of electronic data communications as are provided for the mainstream transfer processes.

In the electricity market it was suggested that the registration lockout period in PRS need to be reduced from 10 days in such circumstances. The process for de / re- appointing agents by supplier also needed to be improved following an erroneous transfer.

One respondent questioned whether retrospective amendments could be performed by PRS Service Provider / Transco to cancel registrations and reset MPRN / MPAN status to the previous supplier.

Several industry respondents noted that the ability to withdraw registrations in the electricity industry, to mirror the facility already available in gas, would reduce erroneous transfers.

Several respondents felt that unless data quality was improved then erroneous transfers would be a continuing feature of the energy market.

Concern was raised that once the erroneous transfer has been identified, the previous suppliers are slow to re-register these sites, especially where these are more than 4 months old. A timescale should be established between suppliers for dealing with ET requests so that the previous supplier agrees to or rejects requests to return customers promptly.

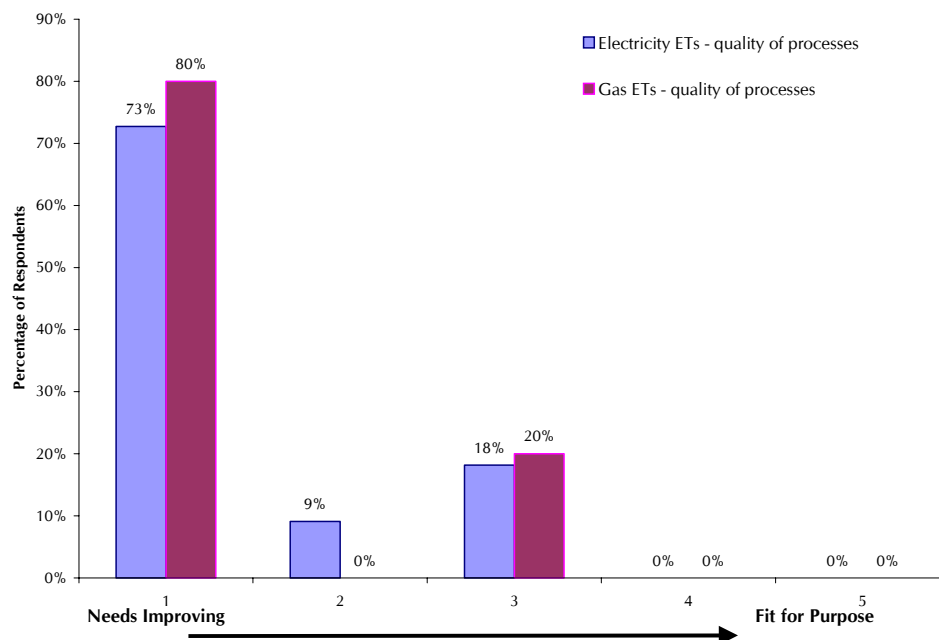


Figure 24: Processes for returning erroneously transferred customers (Source: Customer representatives)

Customer representative groups also felt strongly that the processes for returning customers to the supplier of their choice needed improvement. The vast majority of customer representatives (over 70%) felt strongly that this was the case.

In general customer representatives felt that the amount of difficulty experienced by a significant number of customers was unacceptable and that for individual customers the effect can be devastating.

Several customer representatives felt that the processes for returning customers was too slow. Some also expressed frustration that it was impossible to bypass the transfer process which built in delay to the customer transferring.

Several customer representatives said that a standard electronic communications systems should be introduced, in particular in the electricity market to prevent all of the problems associated with other forms of communication such as fax.

One customer representatives noted that some customers are mistakenly being returned to the incorrect supplier.

Several customer representatives expressed concern that suppliers were applying deadlines after which requests to return customers would not be accepted. It was believed that customer should be returned irrespective of time it took to identify the problem.

One respondent said that if the erroneous transfer was caused by a data quality issue then the supplier who made the transfer should ensure that the data quality problem was resolved.

4.11.2. *Erroneous transfer incentives*

Industry parties and customer representatives were asked for their views on whether the incentives to return customers who have been erroneously transferred needed to be made more efficient. (See figures 25 and 26).

The views of industry participants were mixed on the effectiveness of incentives to return customers.

Many respondents believed that there were already strong incentives on suppliers not to erroneously transfer customers as this incurred administration costs, potential sales agent costs and bad publicity. In the gas market, RbD meant there was a strong incentive for the new supplier to return the customer quickly as they were incurring the transportation costs for the site. Conversely the old supplier has a financial incentive to prolong the return of the customer, as they will be able to bill for a period where they have not been charged for gas transportation.

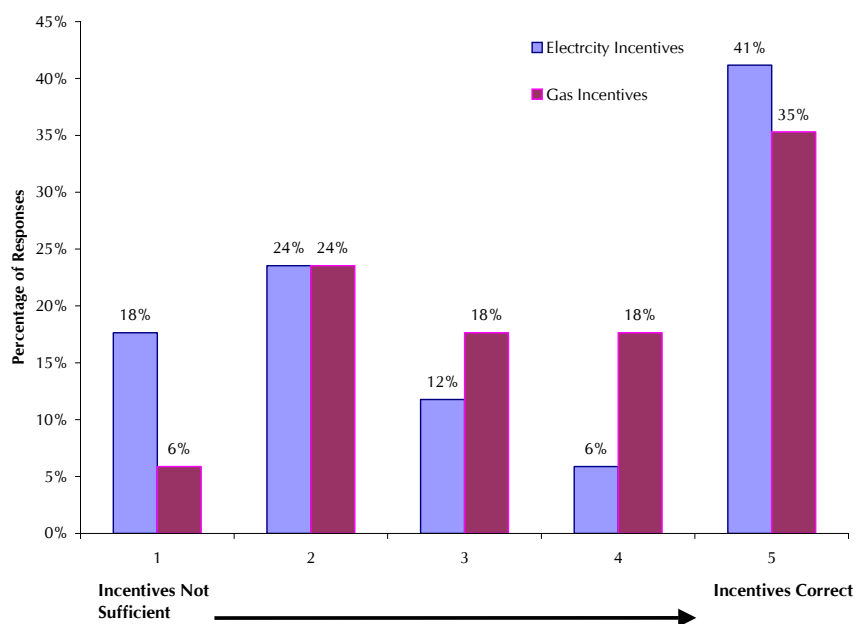


Figure 25: Incentives against erroneously transferring customers (Source: Industry)

One respondent said that there should be incentives placed on the PGT and distributors to improve the accuracy of site information held to assist suppliers in choosing the correct site for registration.

One respondent believed that compensation should be paid to customers for the inconvenience of being erroneously transferred and that the regulator should publish performance information.

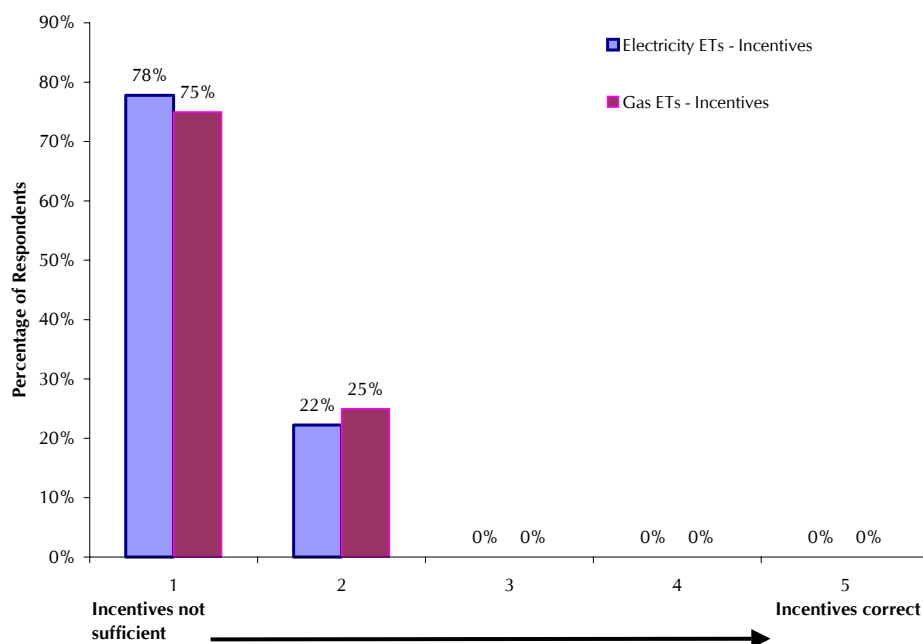


Figure 26: Incentives against erroneously transferring customers (Source: Customer representatives)

Customer representatives felt strongly that the incentives on suppliers to guard against erroneously transferring customer were not sufficient.

Several respondents suggested that penalties should be imposed on those suppliers who erroneously transfer customers. Others believed that there should be stronger enforcement of the marketing licence condition. Some suggested that standards should be set and the regulator should publish performance. Several respondents believed that compensation payments should be made to customers who had been erroneously transferred and that information on payments should be published.

4.11.3. Use of erroneous transfer processes for customer who change mind post registration

Suppliers were asked what proportion of their reported erroneous registrations were accounted for by customers who change their minds after registration has started. Suppliers had previously indicated that, rather than being “true” erroneous transfers as described by industry agreements, they were using the returners process to facilitate customer wishes to be transferred back to their original supplier. (See figure 27).

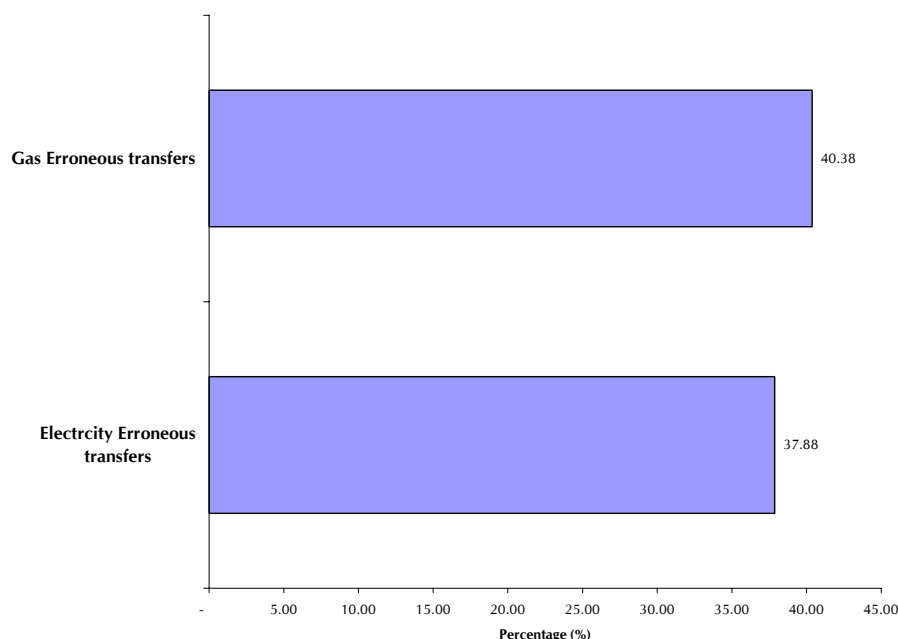


Figure 27: Use of erroneous transfer processes for customer who change mind post registration (Source: Industry)

Suppliers indicated that the customer changing their mind after the start of the registration process accounted for approximately 40% of all customers that they return to their original supplier although this varied between suppliers and between fuels for particular suppliers.

4.12. Industry Data Management

4.12.1. Responsibilities for holding data and ensuring data quality

Industry participants were asked for views on whether they believed that the responsibilities for holding data in the gas and electricity industries was currently both clear and correct. They were also asked whether the current responsibilities for ensuring the quality of data were both clear and correct. (See figure 28).

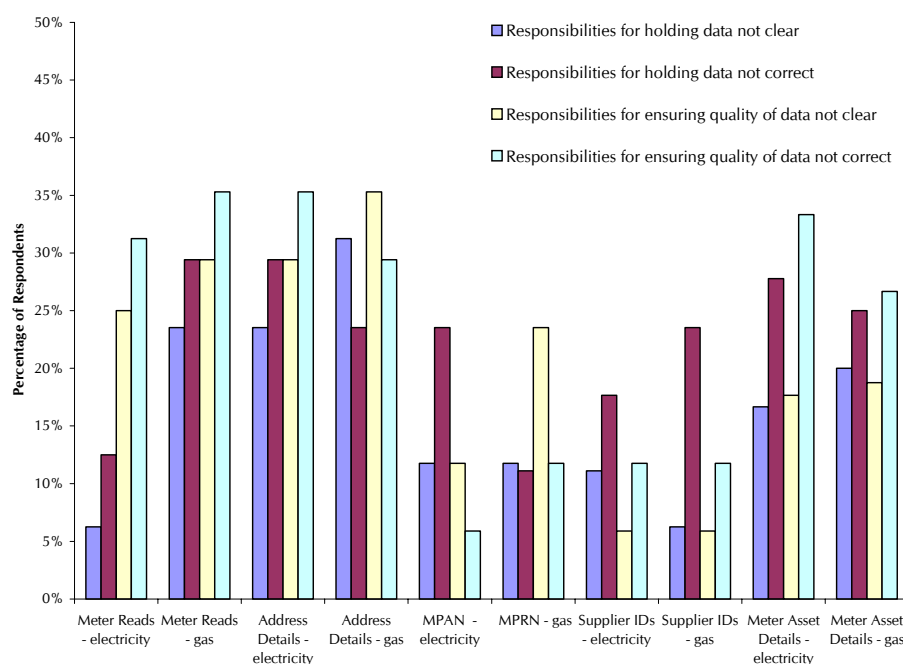


Figure 28: Responsibilities for holding data and ensuring data quality (Source: Industry)

In general the responsibilities for holding data and ensuring its quality were least clear and least correct for meter reads in the gas industry, for address details and for meter asset details in both the gas and electricity industries.

The clarity and correctness of responsibilities for ensuring the quality of data were thought to be weak for electricity meter reads.

There appears to some concern that the current responsibility for holding data in all areas apart from meter reads in electricity and MPRNs in gas were not correct.

Respondents suggested that responsibilities for ensuring the quality of MPRN data were not very clear.

4.13. Industry Communication

4.13.1. Access to communication networks

Industry participants were asked whether they felt that the current industry communication links were available to all relevant players. (See figure 29).

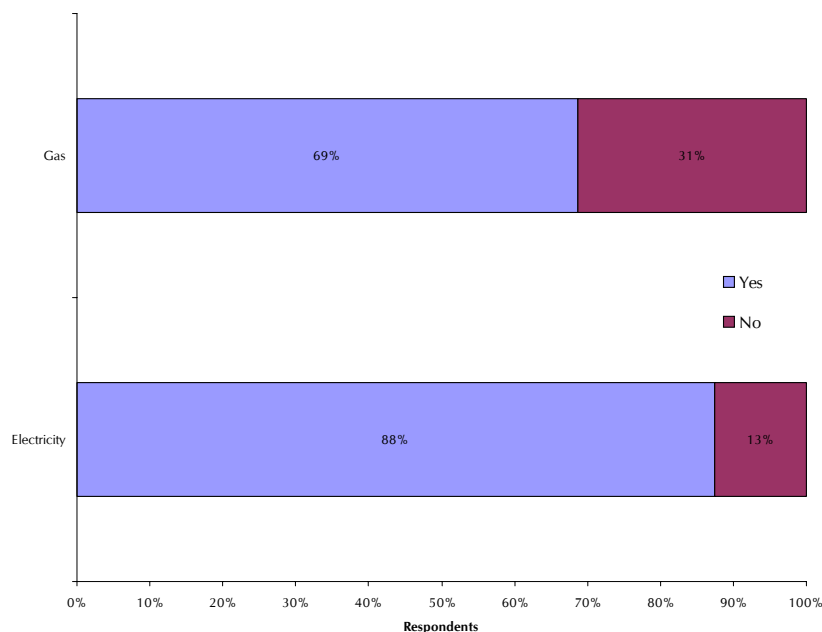


Figure 29: Communication links available to all relevant players (Source: Industry)

Several responses highlighted the need for gas suppliers to have access to UK Link. It was also noted that links should be extended to include IPGTs and new metering agents, and that there should be a single communication network covering both gas and electricity sectors.

4.13.2. Robustness of communication links

Industry participants were asked to rate the robustness of current industry communication links. (See figure 30).

There was a varied response to this question, for both gas and electricity sectors. Some players noted that the links with Transco were robust, but that facilities for communications between other players in the gas market were less adequate. The lack of a single defined method of communication was also highlighted.

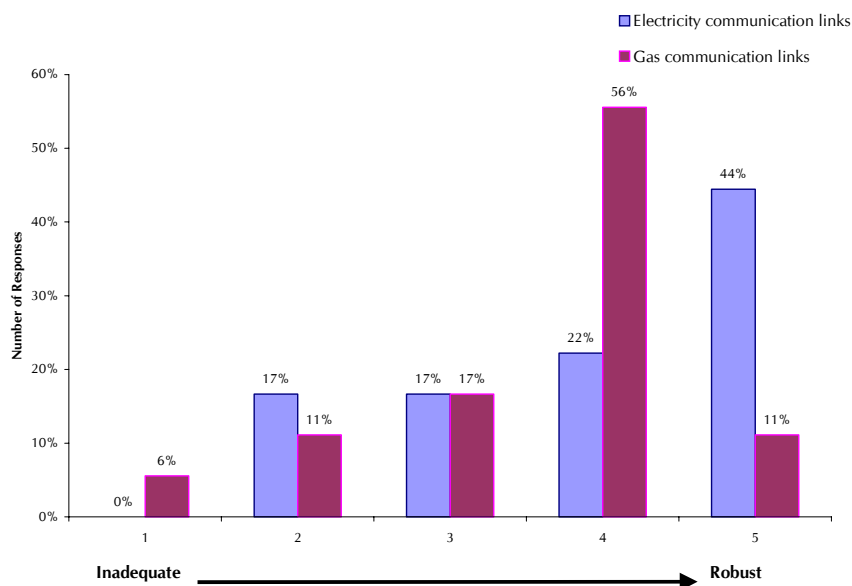


Figure 30: Communication links robust (Source: Industry)

4.13.3. Separate or unified infrastructure

All industry participants were asked whether they felt that the gas and electricity communication infrastructure should be linked, separate or unified. (See figure 31).

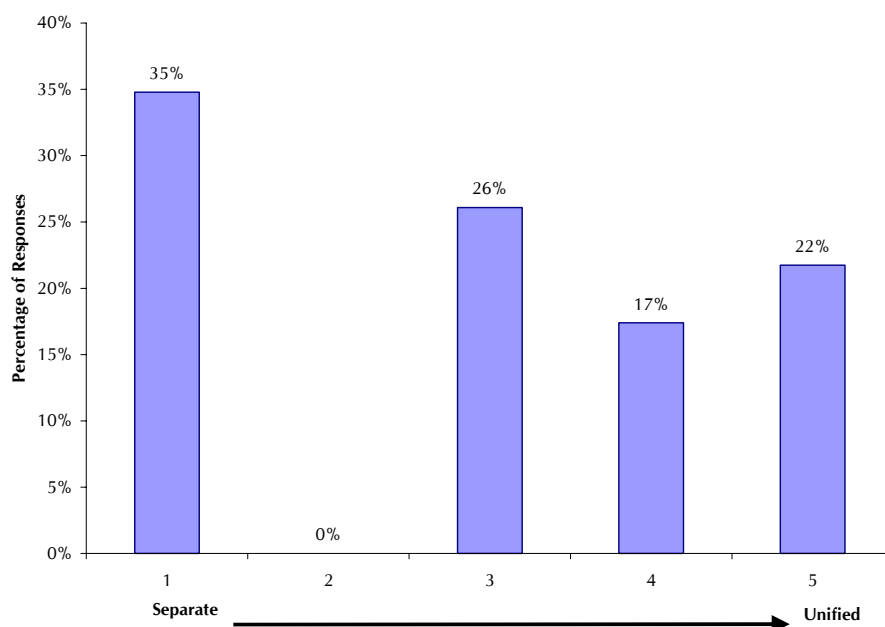


Figure 31: Unified communication infrastructure (Source: Industry)

There was significant disparity in the views expressed. Over a third of responses did not support any unification or linking of communication infrastructures, although this group included

responses from players that only participate in the electricity market. Most responses supported some level of linkage between infrastructures. However, none of the players included comments to expand on the reasoning behind the ratings.

4.13.4. Open or industry specific communication links

Views were invited from industry participants as to whether the communication links should be specific to participants in the gas and electricity sectors, or should employ open access communication links such as the Internet. (See figure 32).

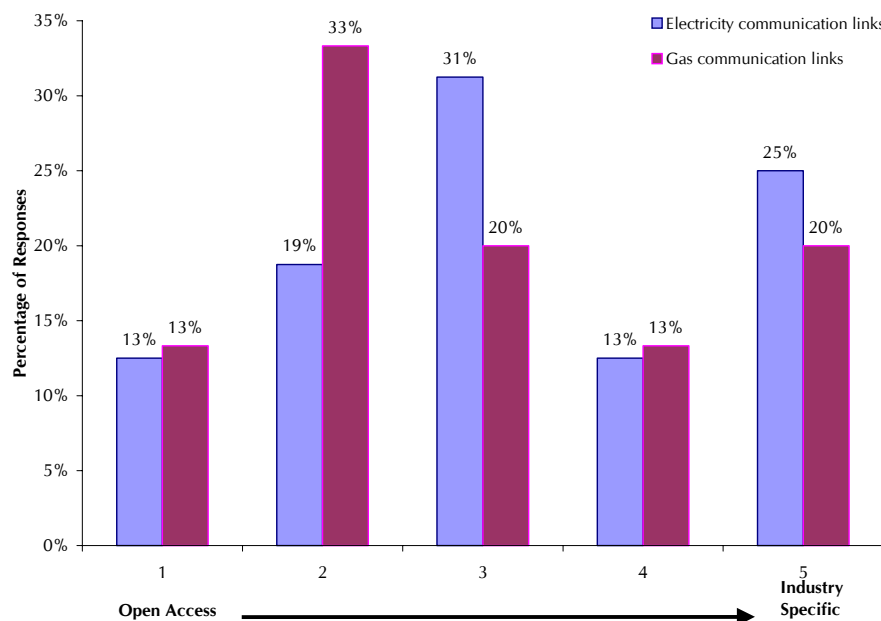


Figure 32: Open or industry specific communication links (Source: Industry)

Again, there were interesting differences between the sectors. There was stronger support for open access links in the gas sector, where some communications are already undertaken using the Internet.

Two respondents commented that they believed the Internet was not yet robust or secure enough. However, others stressed the need for the communication infrastructure to be as open and consistent as possible, and suggested that cheaper solutions than the DTN were available.

4.13.5. Appropriate communication technology

Industry participants were asked whether they felt that the technology employed was appropriate for the purpose of industry communications. (See figure 33).

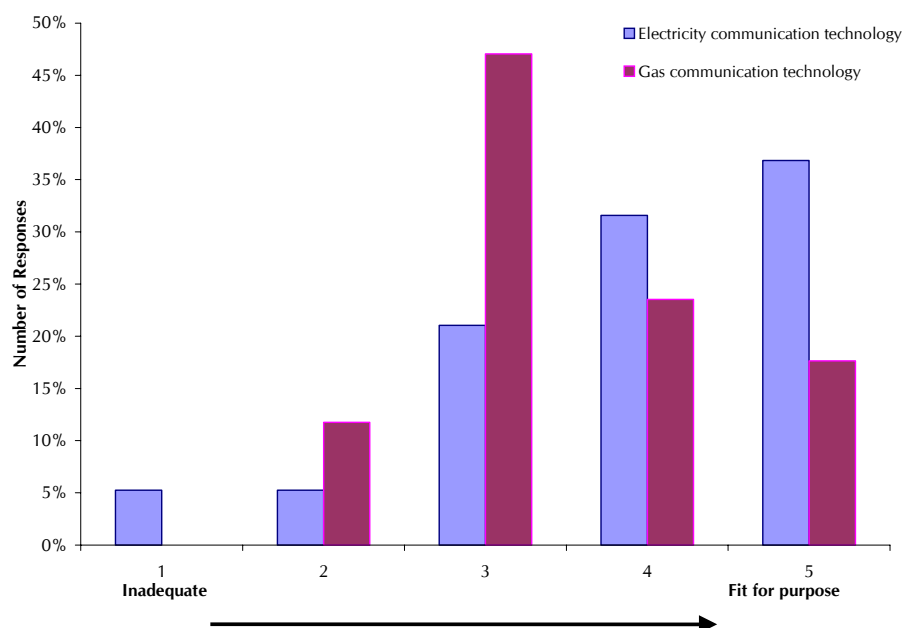


Figure 33: Appropriate communication technologies (Source: Industry)

Respondents considered that the current technologies were generally fit for purpose. However, a broad range of comments was provided. One respondent noted that the dedicated fixed line in the gas industry provided speed, robustness and security. Two suppliers suggested that the electricity infrastructure should be utilised for gas industry communications as well. One respondent considered the DTN to be over-designed, leading to an expensive service.

One supplier commented that simpler technology could be employed if the processes were simplified. Another respondent noted that industry changes could lead to differing levels of requirements, bringing opportunities to develop flexible and adaptive systems.

4.14. Customer Problem Resolution

4.14.1. Supplier Performance

Customer representatives were asked for their views on how well they thought that suppliers performed in resolving customer problems related to the transfer process. (See figure 34).

Customer representatives do not believe that suppliers perform well in this area.

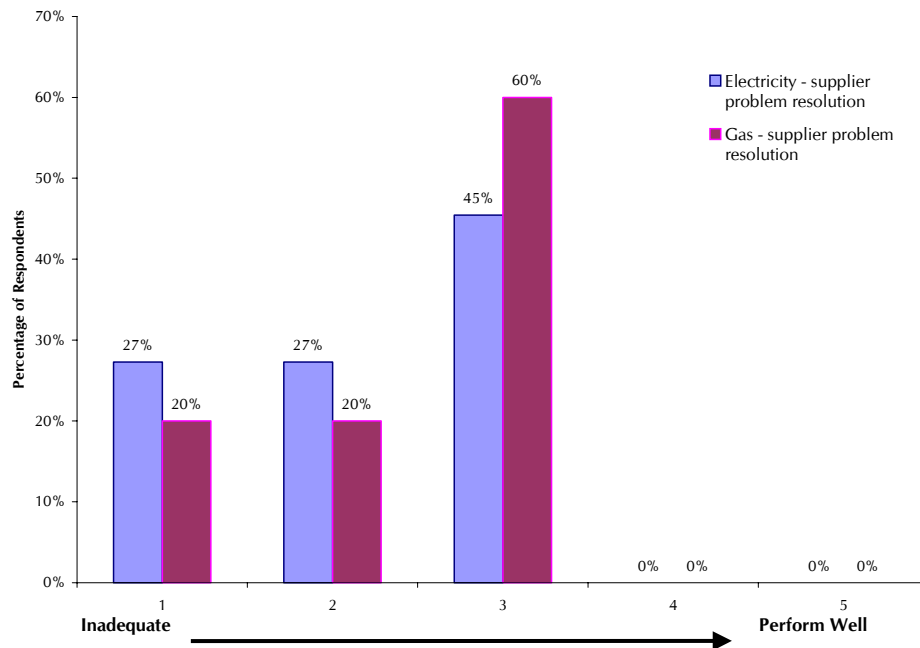


Figure 34: Problem resolution - Supplier performance (Source: Customer representatives)

4.14.2. Explaining issues to customers

Customer representatives were asked for their views on how well they thought that suppliers performed in explaining issues to customers where there was a problem relating to the transfer process. (See figure 35).

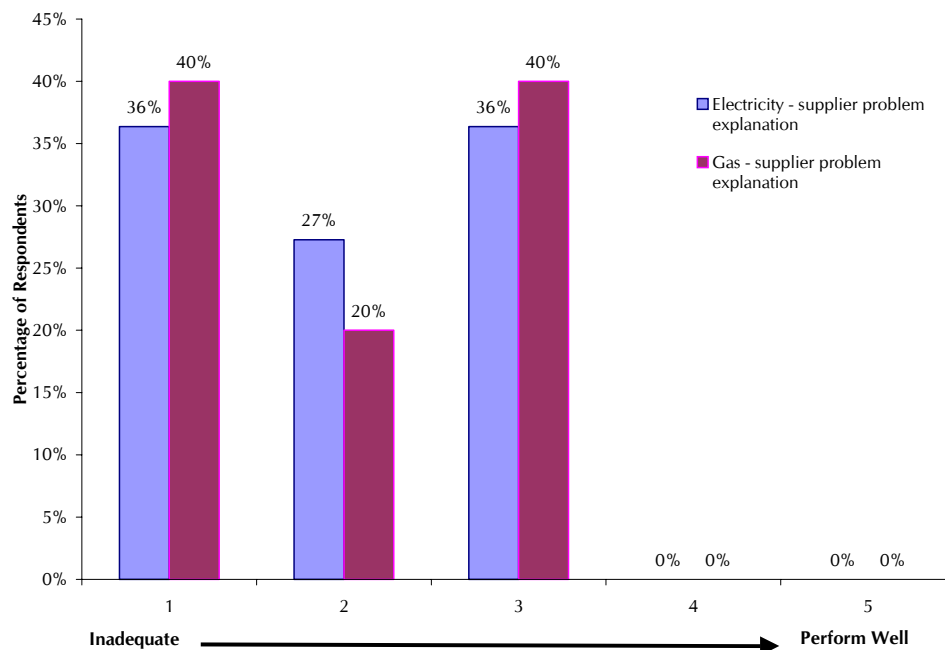


Figure 35: Explaining issues to customers (Source: Customer representatives)

No customer representatives believed that suppliers perform well in this area for both industries. This often leads to further complaints and frustration for the customer.

4.14.3. *Inter-supplier communication*

Customer representatives were asked for their views on how well they thought that suppliers communicated with each other when required to resolve customer problems relating to the transfer process. (See figure 36).

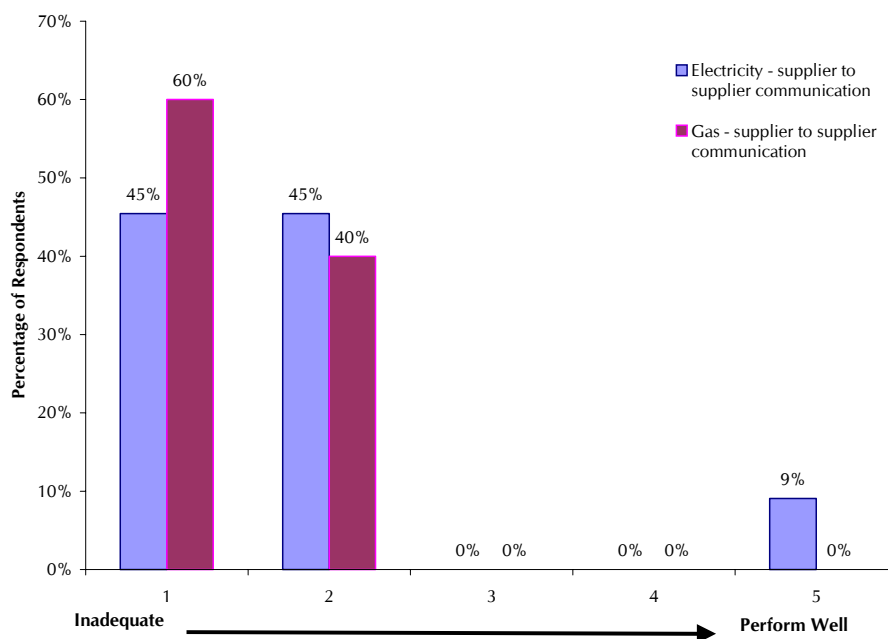


Figure 36: Inter-supplier communication (Source: Customer representatives)

The vast majority of customer representative groups felt strongly or fairly strongly that communication between suppliers in both the gas and electricity industries was inadequate.

4.15. *Meter Reading*

4.15.1. *Aligning meter read timescales*

Industry representatives were asked for their views on whether the timescales for obtaining and sending opening meter reads in the gas and electricity industries as described in the Network Code and P&SA should be aligned. (See figures 37 and 38).

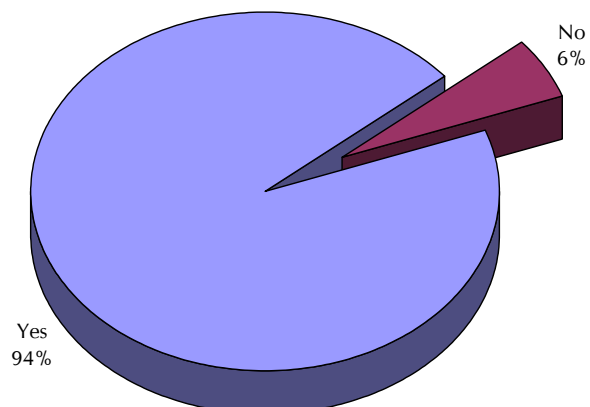


Figure 37: Aligning timescales for obtaining opening meter reads (Source: Industry)

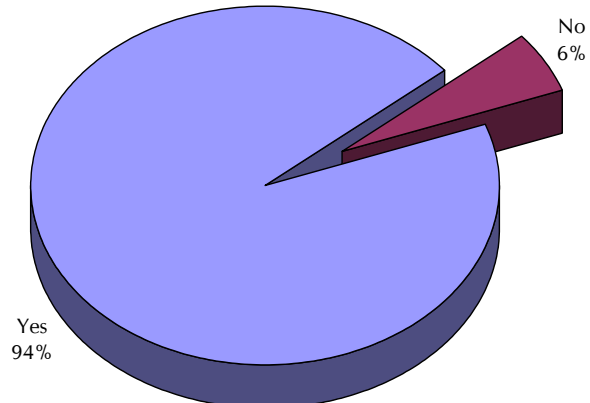


Figure 38: Aligning timescales for sending opening meter reads (Source: Industry)

There was a firm view from industry parties that the timescales for obtaining opening meter reads and sending opening meter reads should be aligned between the gas and electricity markets.

4.15.2. Amending meter read timescales

Industry representatives were asked for their views on whether the windows for obtaining and sending opening meter reads in the gas and electricity industries as described in the Network Code and P&SA should be made wider or smaller. (See figures 39 and 40).

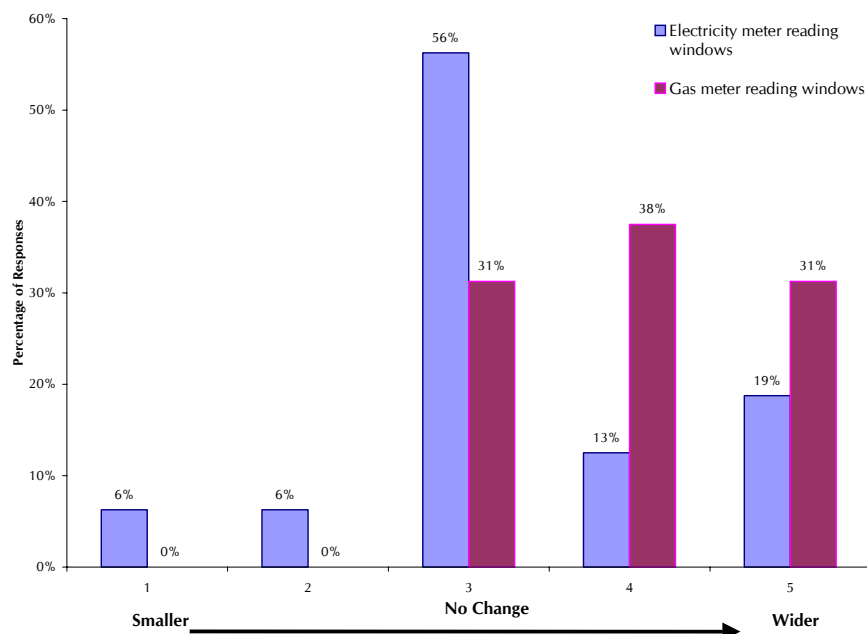


Figure 39: Amending timescales for obtaining opening meter reads (Source: Industry)

Industry respondents felt that the timescales for obtaining meter reads in the electricity industry were about right but could be made slightly wider and that the window in gas should be made slightly wider. As noted above, the industry's view is that there should be alignment between the gas and electricity timescales for obtaining meter reads.

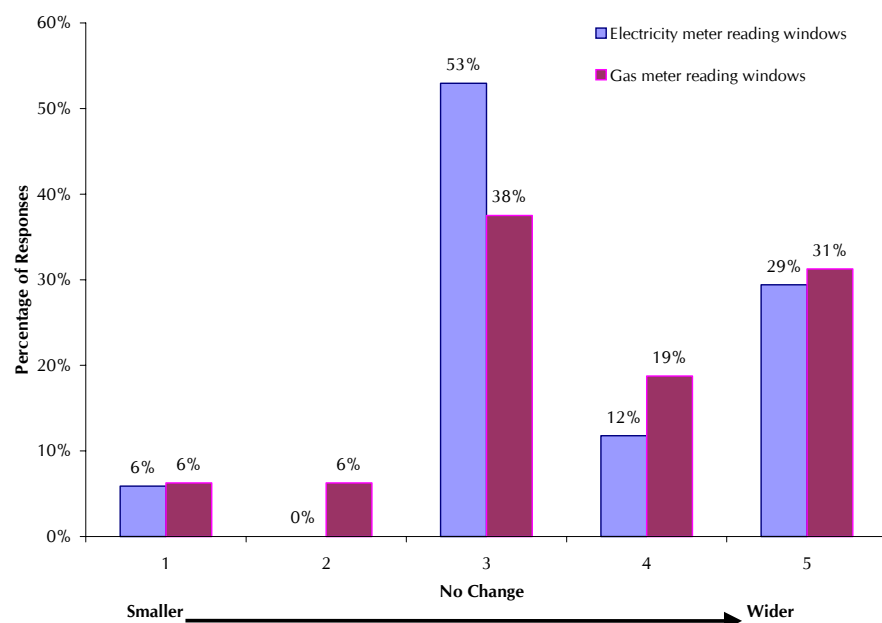


Figure 40: Amending timescales for sending opening meter reads (Source: Industry)

Industry respondents felt that the timescales for submitting meter reads in the electricity industry were about right but could be made slightly wider and that the windows in gas should be made wider. As noted above, the industry's view is that there should be alignment between the gas and electricity timescales for meter reads. Therefore the windows for obtaining and submitting meter reads should be aligned to wider windows.

4.15.3. **Actual / customer own opening meter read requirement for transfer**

Industry parties and customer representatives were asked for their views on whether customer transfers should only take place when an opening meter read has been obtained. (See figures 41 and 42). On the customer representatives questionnaire an opening read was defined as one that had been provided by the customer or meter reading agency.

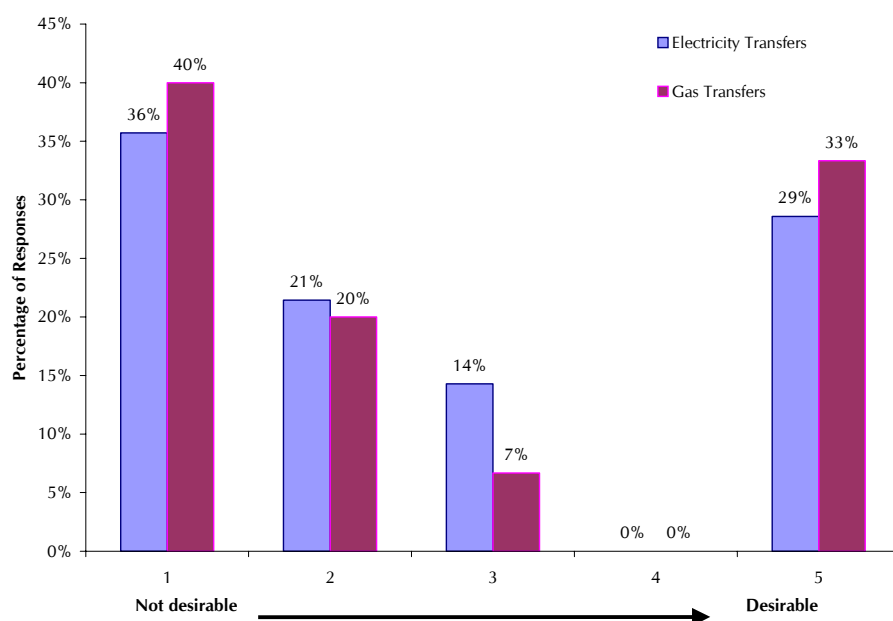


Figure 41: Actual / customer own opening meter read requirement for transfer (Source: Industry)

Industry respondents were split between whether only allowing transfers when an opening meter read had been obtained was desirable or not desirable. Customer representatives felt much more strongly that it was desirable for a transfer to take place only where an opening meter read has been obtained from the customer or a meter reading agency.

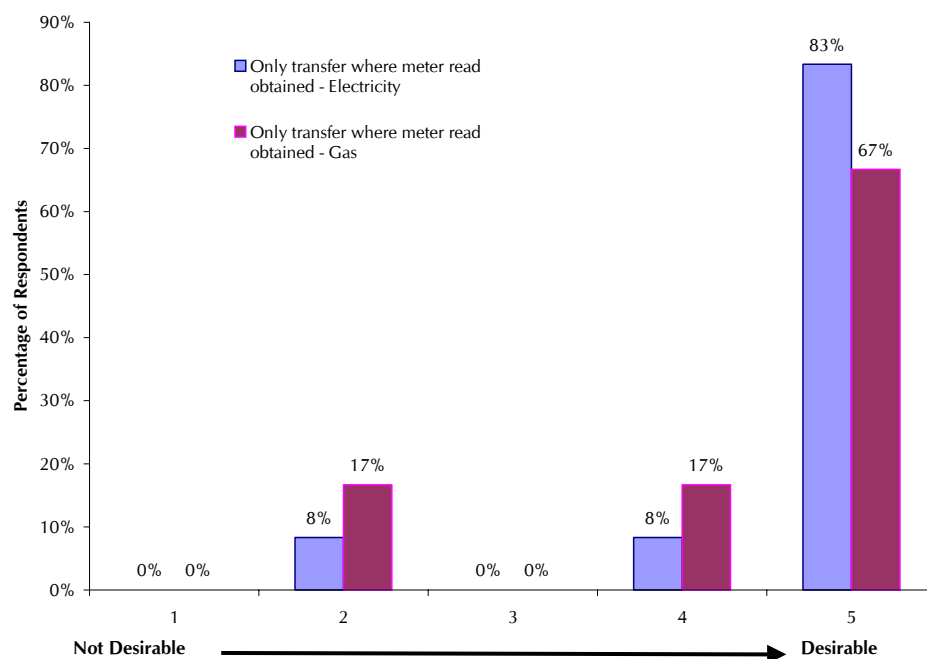


Figure 42: Actual / customer own opening meter read requirement for transfer (Source: Customer representatives)

4.15.4. Quality of Deemed / Estimated Reads

Industry parties and customer representatives were asked for their views on the quality of deemed reads / estimates provided by the supplier agents (electricity) or PGT on change of supply. (See figures 43 and 44).

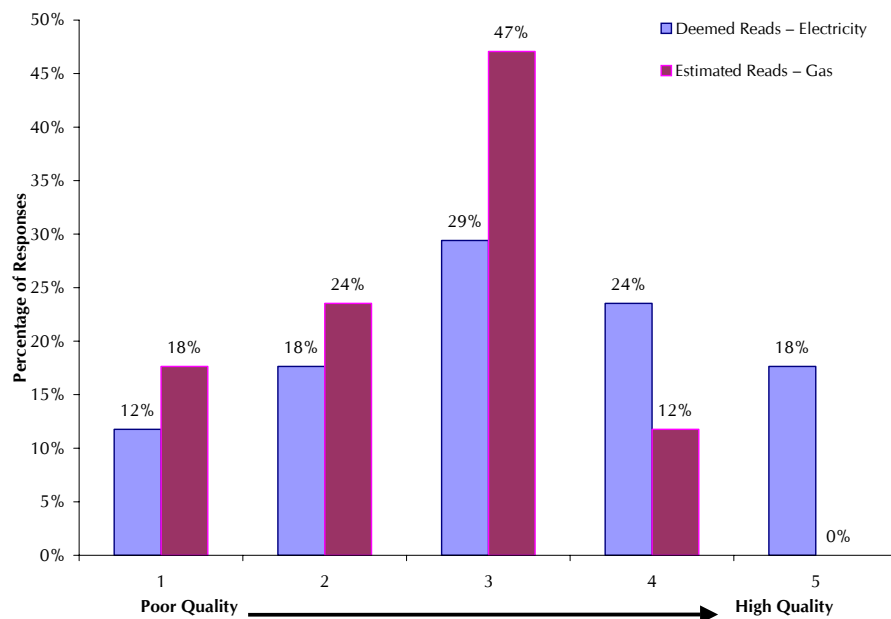


Figure 43: Quality of Deemed / Estimated Reads (Source: Industry)

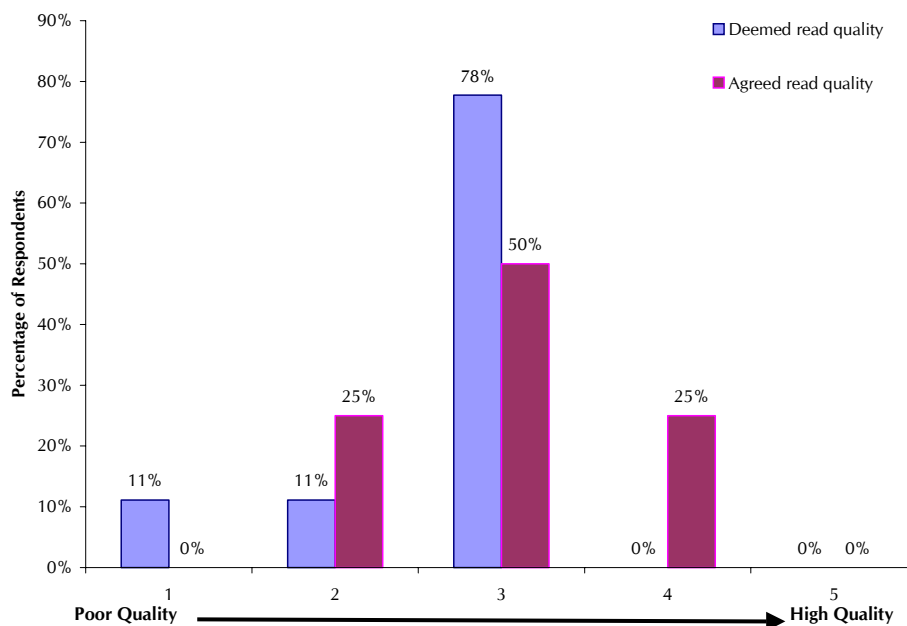


Figure 44: Quality of Deemed / Estimated Reads (Source: Customer representatives)

Both industry participants and customer representatives in general felt that the quality of deemed reads / estimates was not high but was some way between poor and high quality. Industry respondents felt that estimates in the gas industry were of a slightly poorer quality than deemed reads. This view was reversed by customer representatives.

4.15.5. Customer requirement for actual opening meter reads

Industry participants were asked whether they believed that customers wished to use actual (including customer own) meter reads for the purpose of billing when transferring supplier. (See figure 45).

In general, industry respondents felt fairly strongly that customers wanted to use actual opening meter reads for the purpose of billing when they transferred supplier.

One respondent said that the estimating procedures worked well but that the small proportion of errors caused supplier problems. This meant that customers were in general better served by actual opening meter reads

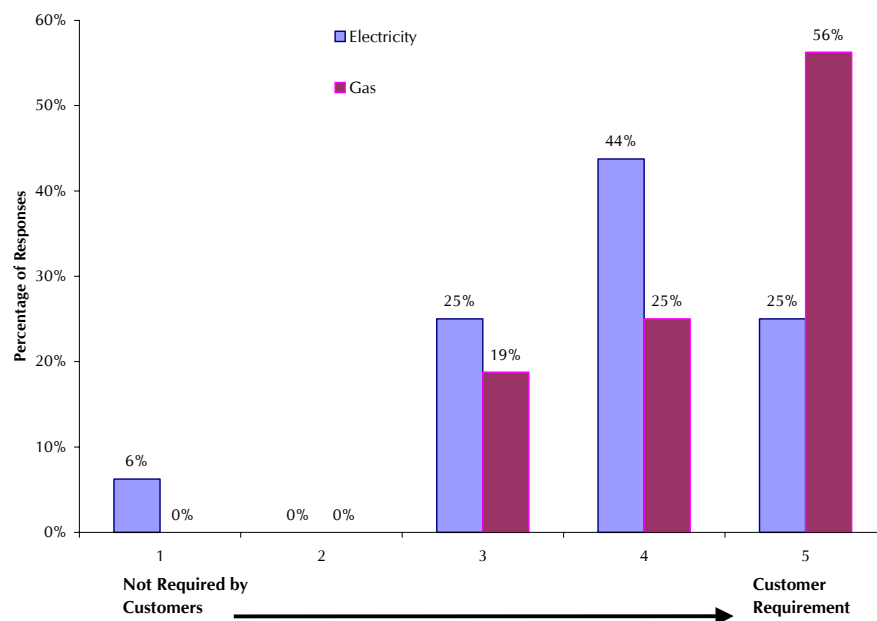


Figure 45: Customer requirement for actual opening meter reads (Source: Industry)

4.15.6. Competition in metering

Industry participants were asked for their views on what the impacts, risks and benefits of gas metering liberalisation and electricity agent competition were for the transfer process.

Many respondents said that metering liberalisation and agent competition would / had increased the complexity of the transfer process. It would / had also increased the number of information flows that were required and parties that needed to be communicated with. This may in addition affect data quality.

Several respondents said that the changes in the market may confuse customers, particularly with customers being able to make their own metering arrangements in the gas market.

Several respondents said that there was potential for agent competition to improve the transfer process by allowing suppliers to sign up with better performing agents.

One respondent said that electricity agent competition is likely to delay the availability and decrease the quality of change of supplier readings, particularly if change of agent is undertaken concurrently with change of supplier.

4.15.7. Technological developments in metering

Industry participants were asked for their views on whether there were any technological developments in metering that could be employed to improve the customer transfer process.

Many respondents said that the introduction of remote meter reading technology, the use of Internet channels and self read meters wired through a telephone line would increase the accuracy of opening reads and improve the customer transfer experience.

Several respondents felt that the new meter reading technologies were currently uneconomical to roll out.

4.15.8. *Other proposals for amending the opening meter read processes*

Industry participants and customer representatives were asked whether they had any further proposals for amending the opening meter read process.

Several industry respondents expressed support for the current proposals in the gas industry for the outgoing supplier to provide the new supplier with an estimated opening read for the customer transfer. It was suggested that this could be extended to the electricity market.

One respondent suggested using sales agents to capture opening meter reads in a market where retrospective transfers are permitted.

One respondent suggested introducing incentives for obtaining opening meter readings. Another said that the old supplier should provide the transfer reading. One respondent said that the obligation on PGTs to derive an estimate subject to not receiving an opening read should be removed.

In addition to several of the points raised above, customer representative groups suggested that rigorous opening meter reading performance standards should be applied, potentially through a licence condition. It was suggested that performance should be published.

4.15.9. *Meter reading history*

Industry participants were asked whether they considered that meter read history should be provided to the incoming supplier prior to transfer to assist with the opening meter read process. (See figure 46).

The views of the industry were mixed. However there was slightly more support for meter reading history to be provided.

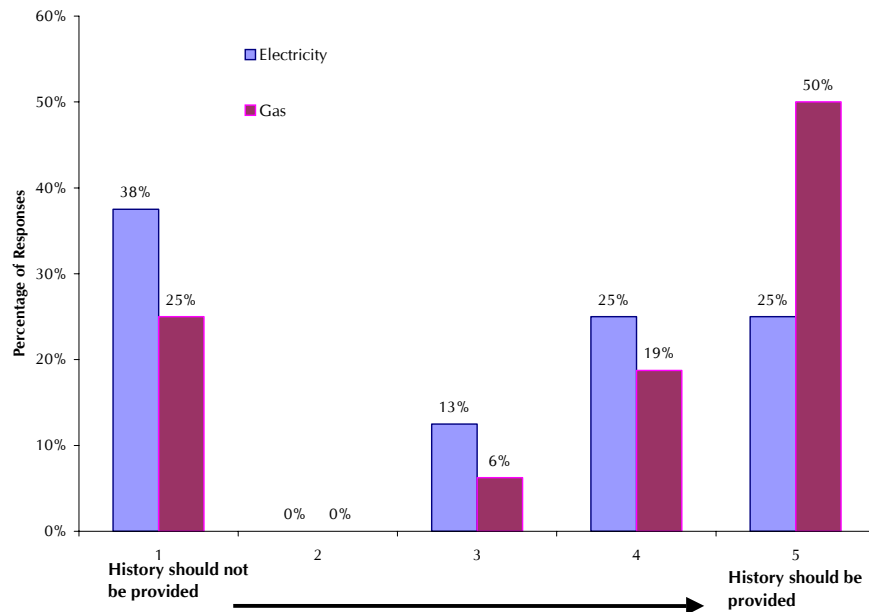


Figure 46: Provision of meter reading history to the incoming supplier (Source: Industry)

4.15.10. Generation of accurate estimates

Industry participants were asked how important they believed accurate meter asset information, accurate meter reading history, accurate AQs / EACs and a suitable consumption profile were for the generation of accurate estimates by suppliers, PGTs and DCs. (See figure 47).

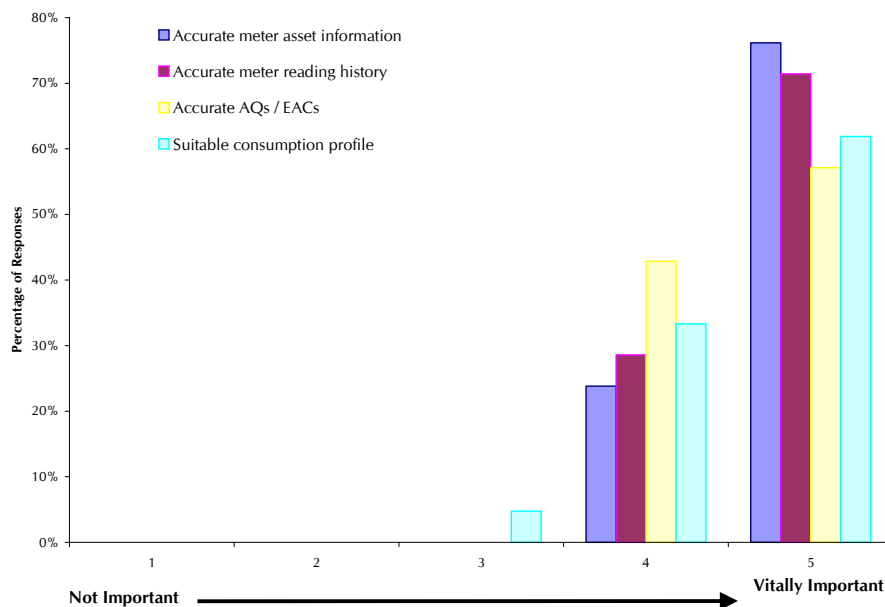


Figure 47: Generation of accurate estimates (Source: Industry)

Respondents felt that all these factors were important components in deriving accurate estimates.

4.16. Agreed / Disputed Reads

4.16.1. Agreed / disputed reads - Processes

Industry participants and customer representative groups were asked whether they considered the existing agreed reads and disputed reads procedures fit for purpose. (See figures 48 and 49).

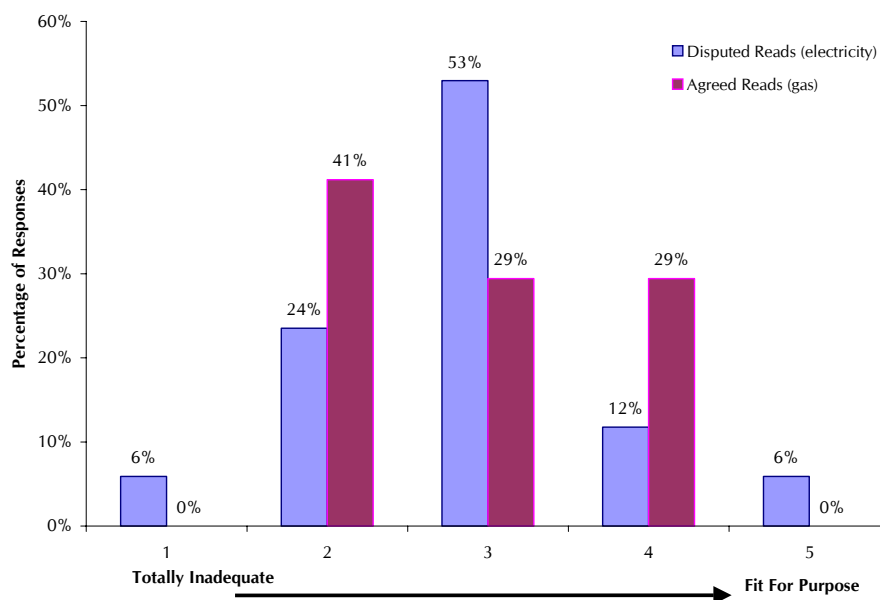


Figure 48: Agreed / disputed reads processes (Source: Industry)

Both industry participants and customer representative groups believed that the current agreed read and disputed reads procedures were not fully fit for purpose and required some improvements.

Some respondents felt that there were insufficient obligations on the outgoing suppliers to resolve disputed reads. Several respondents felt that the disputed reads/agreed reads process could be significantly improved if response timescales were tightened and adhered to.

Several respondents felt that these processes relied on inadequate communication facilities, in particular within the electricity industry. It was suggested that these processes should no longer be considered as exceptions but should be brought into the mainstream data flows and mainstream communication processes to improve standardisation and allow automation.

Many of the customer representative groups felt that the existing agreed and disputed reads processes were too slow and that customers should not be forced to wait for suppliers to agree the opening meter read where the customer provides one. Customer groups felt that the existing processes were often confusing to customers.

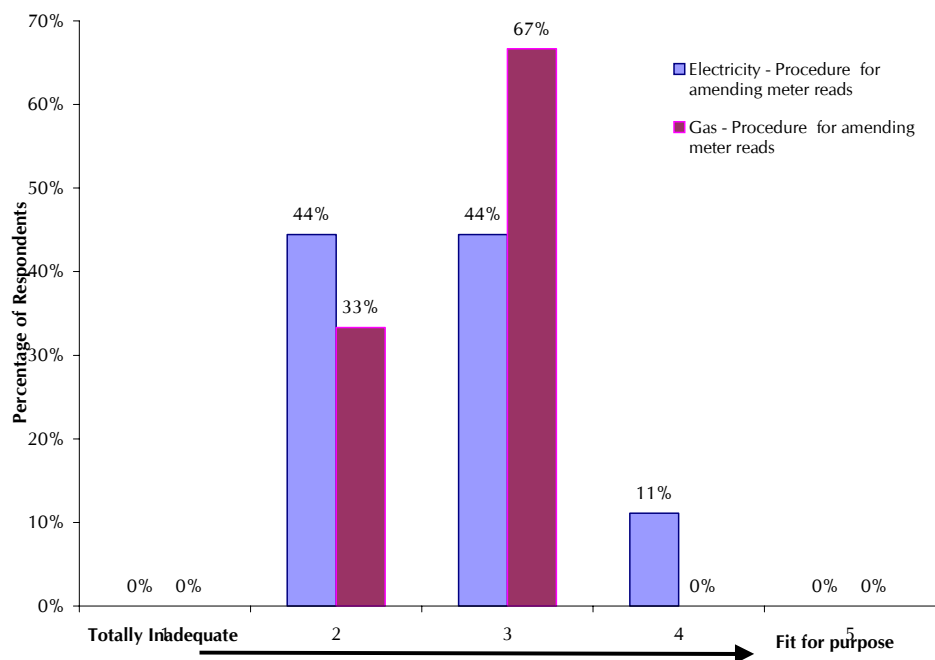


Figure 49: Agreed / disputed reads processes (Source: Customer representatives)

4.16.2. Agreed / disputed reads - Operation

Industry participants and customer representative groups were asked whether they considered that the existing agreed reads and disputed reads procedures were being operated by participants satisfactorily. (See figure 50 and 51).

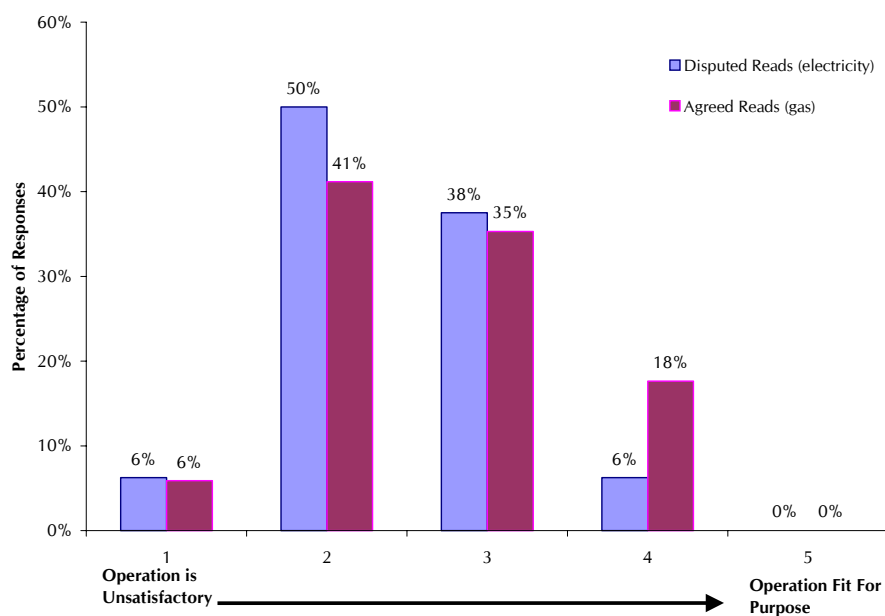


Figure 50: Agreed / disputed reads operation (Source: Industry)

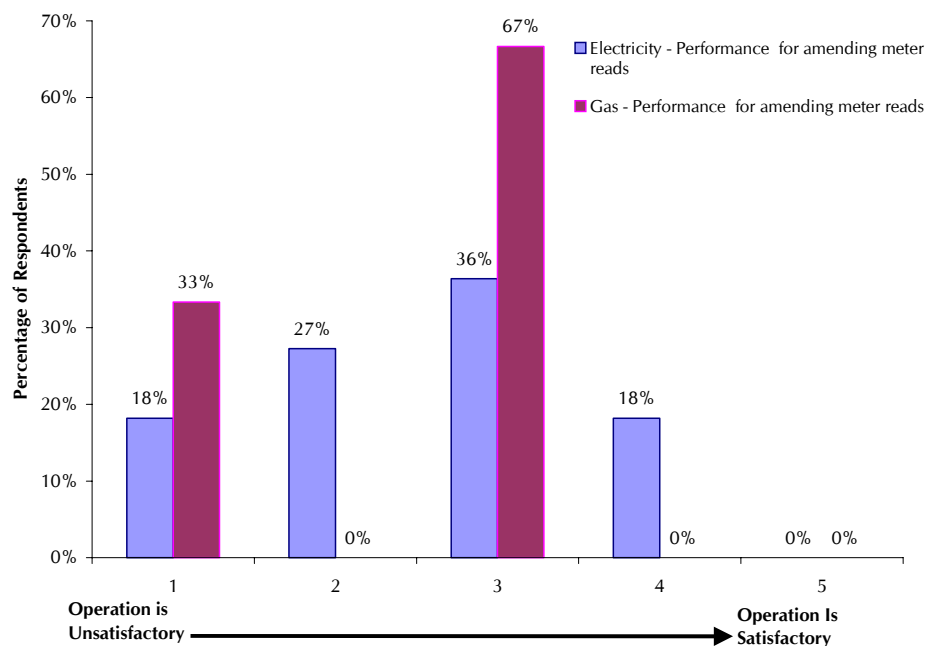


Figure 51: Agreed / disputed reads operation (Source: Customer representatives)

In general both industry participants and customer representative groups felt that the existing agreed / disputed reads procedures were not being operated satisfactorily.

Respondents felt that there was considerable variation in performance between suppliers (and DCs in electricity). Performance varied on such things as response times and some suppliers were still relying on fax. In some instances, problems were caused by differing interpretations of the industry agreed rules.

4.17. Change of Tenancy

4.17.1. Change of tenancy flag – Electricity

In the electricity transfer process it is possible for the incoming supplier to identify to the incumbent supplier that there has been a change of tenancy associated with that site through the registration process. The incumbent supplier must then consider whether they have rights to object to customer transfers where they may not have a contract with that customer. Customer representative groups were asked whether they believed that this process was working well. (See figure 52).

There was a strong view from customer representatives that the process by which the new supplier informs the old supplier of a change of tenancy when transferring a customer was not operating satisfactorily. Of those who responded, 44% felt that the operation of this mechanism was in fact unsatisfactory.

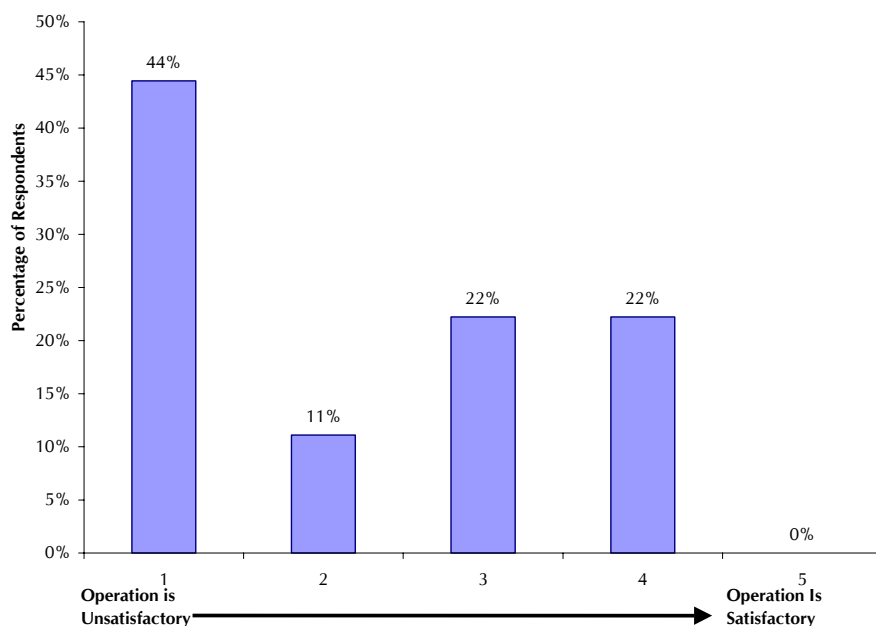


Figure 52: Change of tenancy flag in electricity (Source: Customer representatives)

4.17.2. Change of tenancy flag – Gas

Industry participants and customer representative groups were asked whether the facility to allow suppliers to notify the incumbent of a change of tenancy when transferring a site would be of use in the gas industry. (See figures 53 and 54).

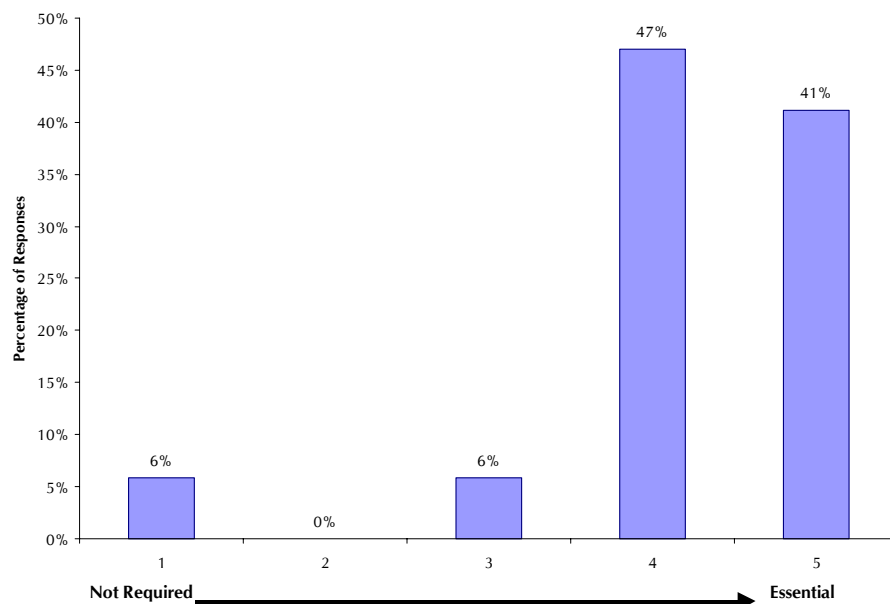


Figure 53: Change of tenancy flag in gas (Source: Industry)

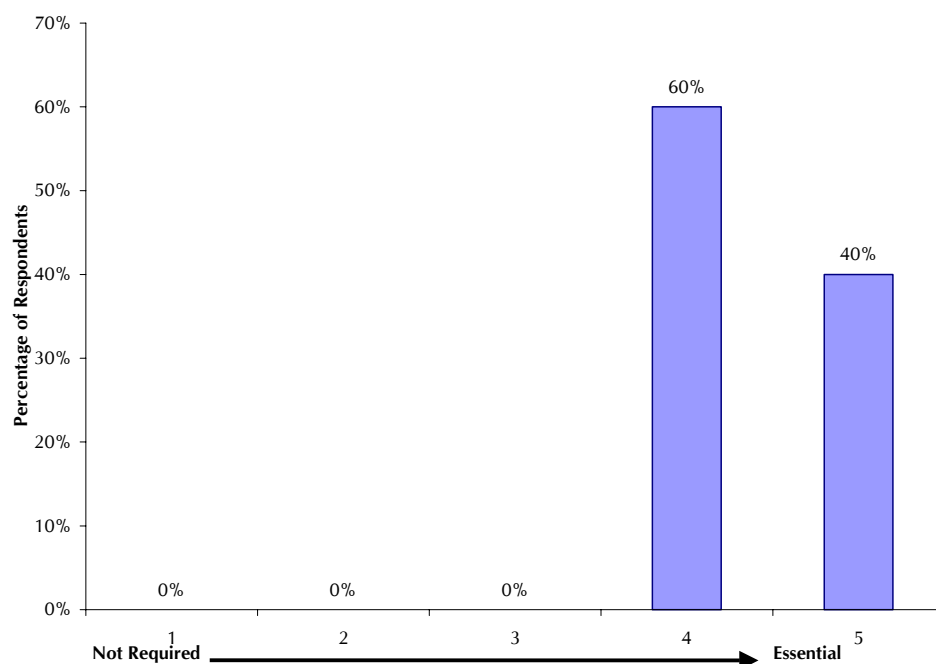


Figure 54: Change of tenancy flag in gas (Source: Customer representatives)

Both industry participants and customer representative groups felt strongly or fairly strongly that it would be useful for gas suppliers to be able to inform the incumbent supplier of a change of tenancy when attempting to transfer one of their customers.

4.18. Public Gas Transporters (IPGTs)

Industry participants and customer representative groups were asked whether they believed that there were impediments to the development of competition on IPGT networks. (See figure 55).

In general, industry participant believed that there were significant impediments to competition on IPGT networks. Only 2 customer representative groups responded to this question, but both believed that there were impediments to competition on IPGT networks.

Respondents felt that there were problems caused by non-standard communication links and poor access to data for example, MPRNs which were not readily available. Suppliers had to rely on manual processes when dealing with IPGTs. Respondents felt that dealing with IPGTs was more costly than Transco.

One respondent suggested that there should be an approved model IPGT Network Code agreed by the industry that all IPGTs should follow. Currently there were problems for suppliers in accepting IPGTs Network Codes that vary widely. One respondent said that the terms of these Network Codes could only be altered when a supplier had signed up.

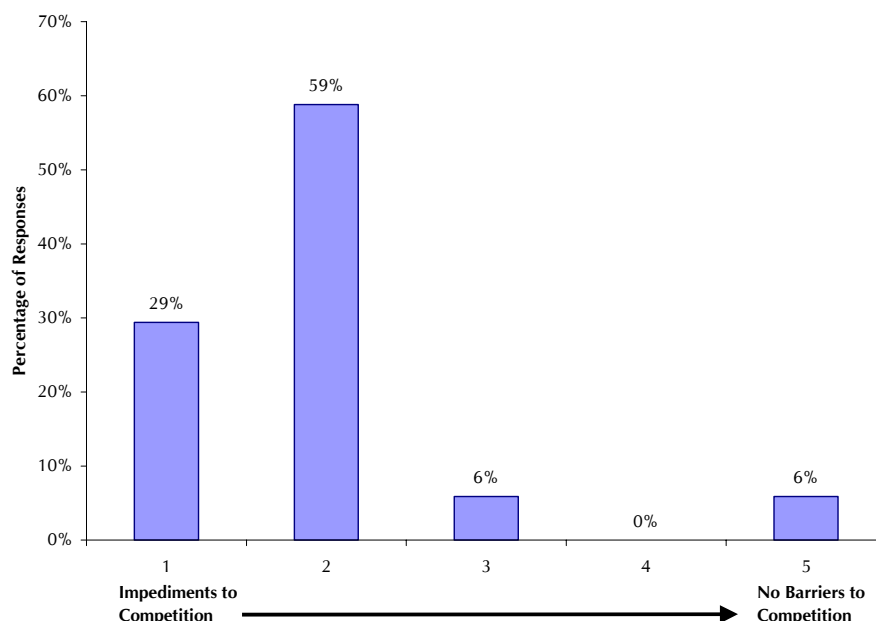


Figure 55: Impediments to competition on IPGT networks (Source: Industry)

Respondents said that IPGTs charging methodologies varied considerably and were often higher.

It was suggested that there were problems with some IPGTs installing electronic prepayment metering systems on their networks.

One respondent noted that there were also significant barriers to competition on private electricity networks.

4.19. Governance Arrangements

4.19.1. Resolution of problems

Industry participants were asked whether they believed that the governance arrangements were fit to respond to resolve problems relating to the transfer process in the gas and electricity industries as they arose. (See figure 60).

Problems occurred in the electricity market related to the activities of agents who were not subject to governance. It was felt that there were too many opportunities for service providers and different suppliers to impact on a suppliers processes.

In the electricity market problems were caused by joint MRA / PSA / SAS change control requirements resulting in unnecessary duplication and delay.

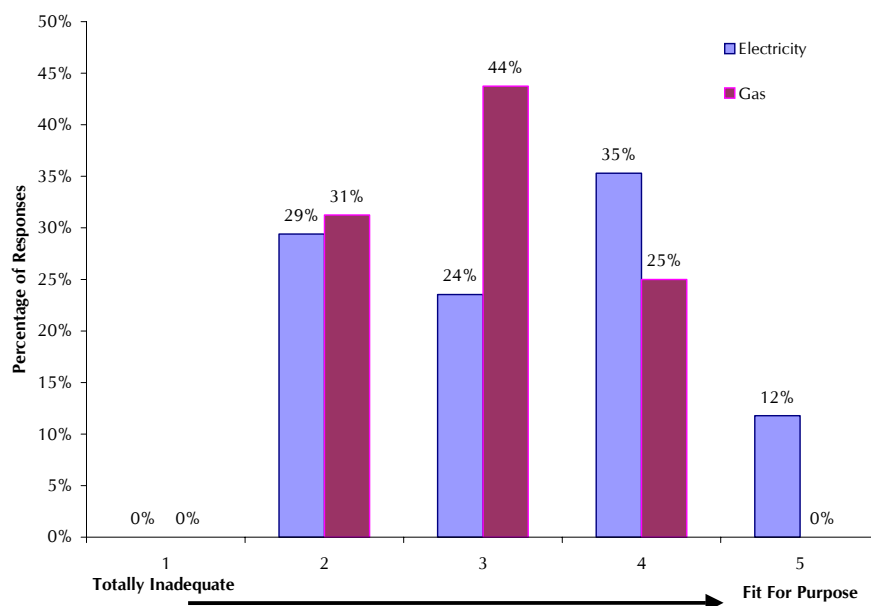


Figure 60: Governance arrangements - Resolution of problems (Source: Industry)

It was noted that the electricity market relies on participants adhering to working practices on a number of key inter-operational issues. Currently a number of working practices exist which are not consistently applied (or not followed at all) by participants. Working practices were initially developed as short-term workarounds to facilitate market operation & cover ambiguities in specifications. The intention was to replace working practices with robust amendments to specifications but this progress has been slow. The further creation of working practices should be minimised & essential issues of interoperability enforced through MRA / DTC / PSA etc.

It was suggested that in the gas market, Transco have an unreasonable dominance in the governance process and change management was problematic as there were inadequate rights of appeal for disadvantaged parties.

In general, the change control processes and the implementation of changes was thought to take too long. In particular, it was noted that Transco exerted too much influence on the schedule of implementing modifications and the reasoning behind this schedule was not transparent. One respondent thought that Ofgem's role in Network Code Modification process mitigates against speedy resolution of problems.

One respondent noted the advantages of flexibility and ease of implementation that the Gas Domestic Code of Practice group gave over the time scale for agreeing Network Code and MRA changes.

4.19.2. Ability to reflect market requirements

Industry participants were asked whether they believed that the governance arrangements were fit to respond to reflect innovation and development in the gas and electricity markets relating to the transfer process. (See figure 61).

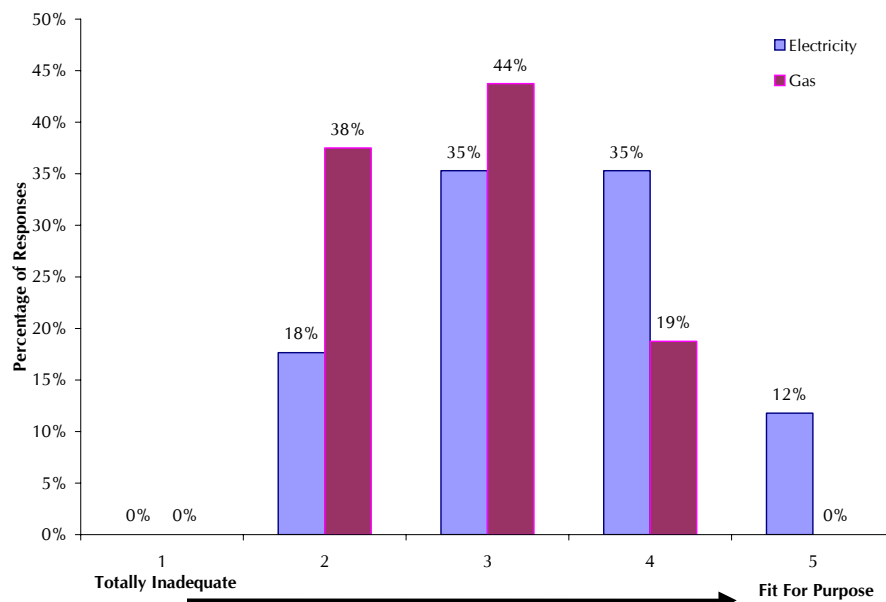


Figure 62: Governance arrangements - Ability to reflect market requirements (Source: Industry)

It was thought that the existing change control processes dictate that fundamental changes to systems are both difficult and lengthy. Often there are several competing views that will frustrate agreement on change. This often leads to inconclusive decisions and allows apathy to prevail in the face of provocative change. One respondent suggested that change may be impeded due to vested interest of existing dominant service providers.

One respondent noted that changes can be developed and agreed quickly where there is sufficient incentive and impetus behind the changes, for example with RbD.

The asymmetry of approach between gas and electricity (for example, objections rules in the gas industry fall under the licence whilst in electricity they fall under the MRA) may make it difficult to co-ordinate changes simultaneously.

One respondent said that the current governance in the gas industry, whilst fit for purpose in support of incremental change, is nearing 5 years old. Nearly 400 modifications have been implemented and a full review to reduce complexity would be of benefit.

4.20. Performance Assurance

4.20.1. Setting performance standards

Industry participants and customer representative groups were asked whether they considered that the regulator should set, monitor and enforce standards of performance for suppliers and distributors in transferring customers. (See figures 63 and 64).

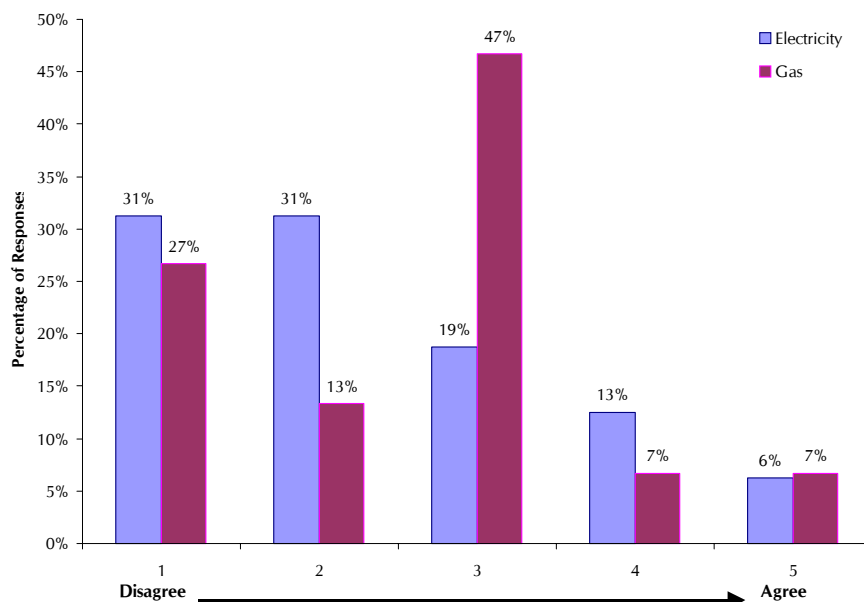


Figure 63: Setting performance standards (Source: Industry)

There was some disparity in the views of industry participants on whether the regulator should set, monitor and enforce standards of performance. In general respondents did not strongly agree that this should be done.

Respondents felt that it was difficult to devise useful performance measures, in particular where this may be affected by other participants. Others felt that the regulator should determine the framework for competition and participants should be allowed to compete over and above the basic requirements. It was felt that in a truly competitive market, participants should expect less regulation and not more.

Several participants felt that performance could be ensured or improved without the need for the regulator to set, monitor and enforce standards.

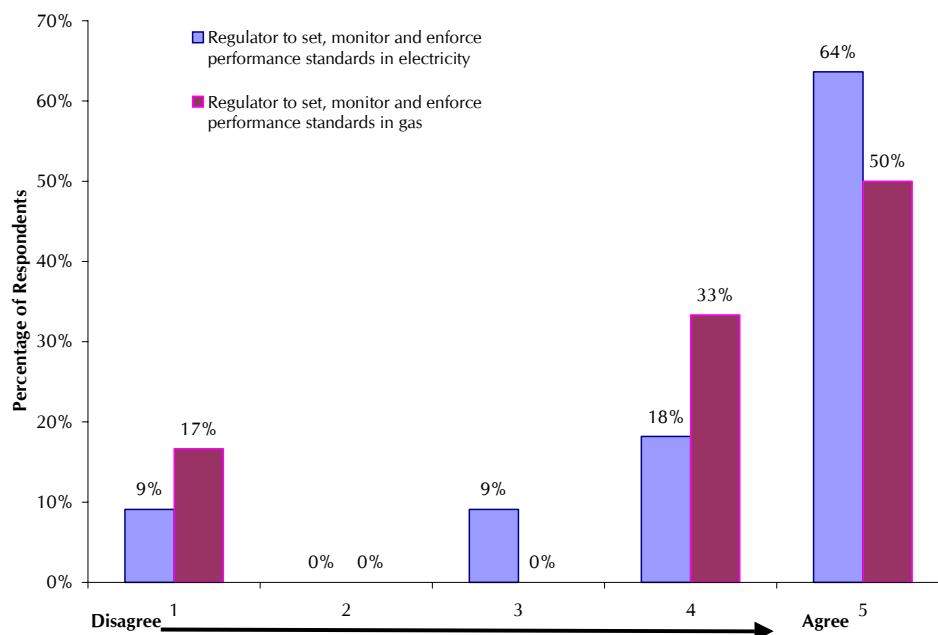


Figure 64: Setting performance standards (Source: Customer representatives)

Customer representative groups felt very strongly that it was the role of the regulator to set, monitor and enforce standards of performance for suppliers in transferring customers.

Customer representatives felt that there were significant areas of the transfer process that were failing, such as erroneous transfers, cancellations, meter reading, which could usefully be addressed by setting, monitoring and enforcing standards.

One respondent did however note that there should already be strong financial incentives for industry participants to perform well without the need for the regulator to enforce standards. Regulatory action should only be required when a particular party performed poorly.

4.20.2. Publishing performance standards

Industry participants and customer representative groups were asked whether they considered that the regulator should publish standards of performance for suppliers, distributors and agents in transferring customers. (See figures 65 and 66).

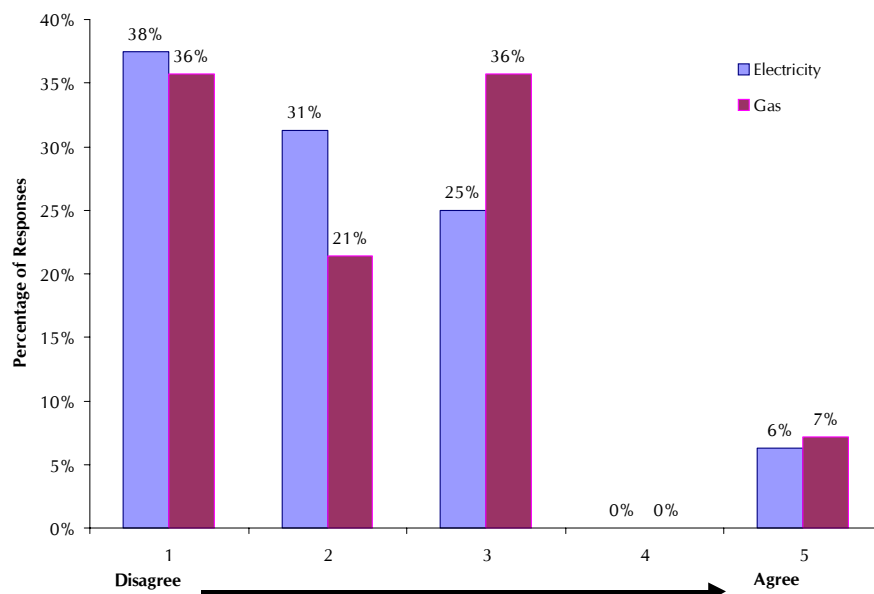


Figure 65: Publishing performance standards (Source: Industry)

In general, industry participants did not feel that it was appropriate for the regulator to publish standards of performance in transferring customers.

Respondents felt that the publication of performance against standards was problematic as it was often misinterpreted and could potentially have a commercial impact. Others felt that complaints information was a sufficient measure of performance.

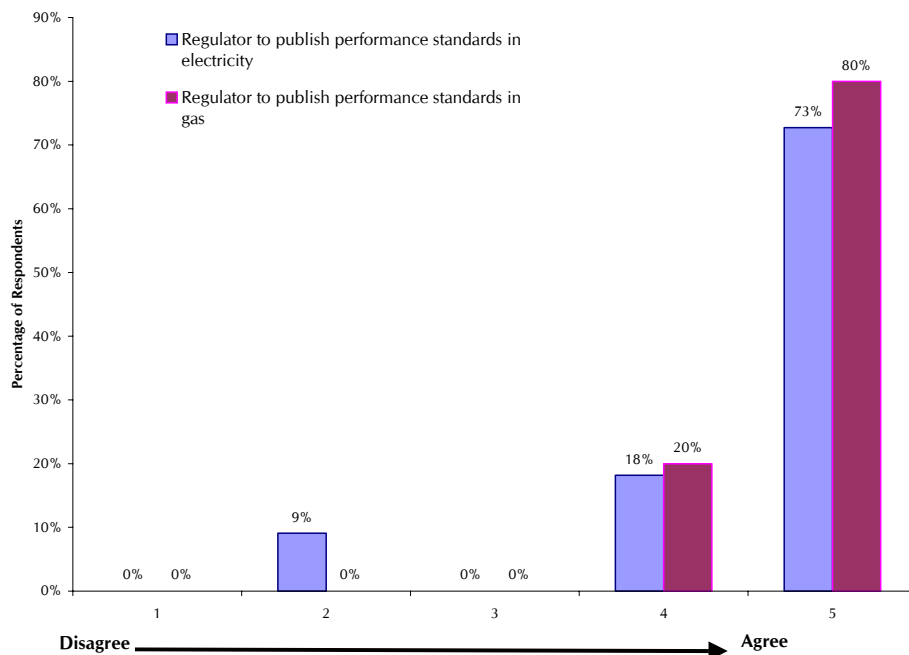


Figure 66: Publishing performance standards (Source: Customer representatives)

Customer representatives groups felt very strongly that it was the role of the regulator to publish standards of performance for suppliers in transferring customers. It was felt that it was important to publicise poor performance in areas of the transfer process which were problematic so that customers could make informed choices and suppliers would have incentives to improve.

4.21. *Prioritising Areas of Concern / Impact of Change*

Industry parties were asked to provide views on the costs and impacts of making a series of 14 suggested changes on improving the customer transfer process. Customer representative groups were asked to provide views on the costs and likely numbers of customers affected by making a series of 13 suggested changes on improving the customer transfer process. The suggested improvements and summary of results can be found for industry participants in Appendix A and for customer representative groups in Appendix B.

In general industry participants felt that none of the suggested improvements were thought to be either low impact or low cost. Several, such as improving the agreed / disputed reads procedures, preventing agreed / disputed reads and improving the accuracy of MPRN / MPAN and address data were thought to have a high impact but only a medium cost.

Customer representatives felt that the majority of improvements suggested would be high impact for a high number of customers. Those changes relating to erroneous transfers were thought to deliver a high impact but for a medium number of customers. The improvement that was thought to have the greatest impact was ensuring that customers have an accurate final bill. The improvement that was likely to affect the greatest number of customers was the introduction of a single telephone number for customers to identify their gas and electricity supplier.

5. Ofgem Conclusions

Ofgem considers that conducting a questionnaire to ascertain the views of the industry and customers has been a worthwhile exercise in informing the direction of the ICT project. The questionnaire has revealed the current state of thinking of the industry and customer representatives. However it is recognised that these views may change over time.

Whilst in some areas the views of respondents are diverse, it is clear that on many issues there is a substantial and clearly expressed requirement for change.

The questionnaire has revealed that in some areas there is consensus, for example in allowing suppliers to automatically be informed of the other supplier's identity in the transfer process, but in other areas there is considerable divergence in views. Some respondents suggested that consideration should be given as to whether any substantial changes to the customer transfer process may need to be introduced using a two-tier approach. A fast track to implementing improved systems could be used for those who are fully committed to change and the ability to maintain the existing functionality (where possible) could be maintained for others. A staggered approach may also be beneficial if it avoids the complexity of co-ordinating a 'big bang' implementation of new system and business rules.

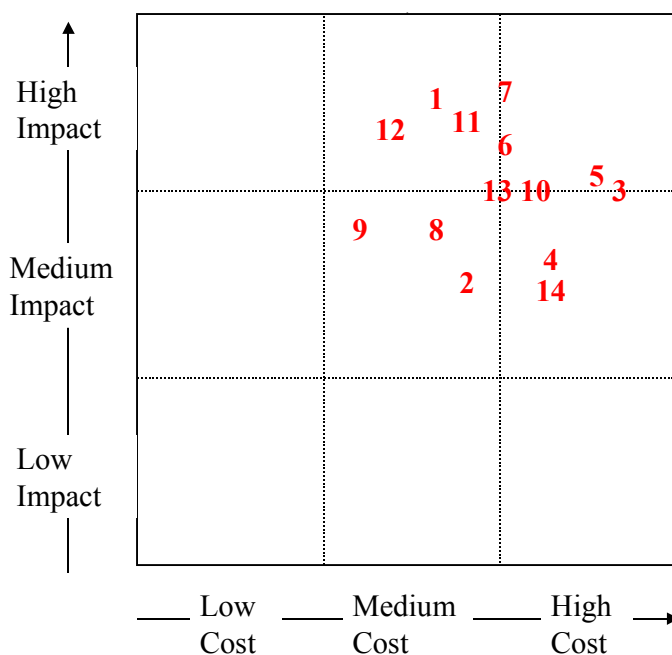
There is a general support from industry participants and customer representative for alignment between the gas and electricity transfer processes. It is perhaps more difficult to determine what it meant by this requirement for alignment. There is a clear wish to adopt some process and practices from the other industry where these are seen to be beneficial e.g. the ability to withdraw registrations being adopted in electricity. In addition, there appears to be a desire to bring together practices which already exists in both industries such as meter reading windows and the timing of the transfer processes. What is less clear is whether there is a need for a true alignment or unification of systems and processes, using common communication networks and databases. The extent to which there is a requirement for alignment between the two industries requires further investigation.

It is clear from industry respondents that the existing customer transfer processes are causing significant problems. On the one hand, industry participants are exposed to costs in dealing with system and process failures such as agreed / disputed reads and erroneous transfers. On the other hand the introduction of new business models and ways of working are being frustrated.

As well as highlighting issues for consideration on the long-term requirements of an effective transfer system, the questionnaires have shown support for a number of short-term fixes, for example the requirement to improve the existing practices for dealing with erroneous transfers and agreed / disputed reads. Ofgem believes that it would be useful to pursue these to understand whether it is possible to deliver some short-term improvements to the customer transfer process.

Appendix A

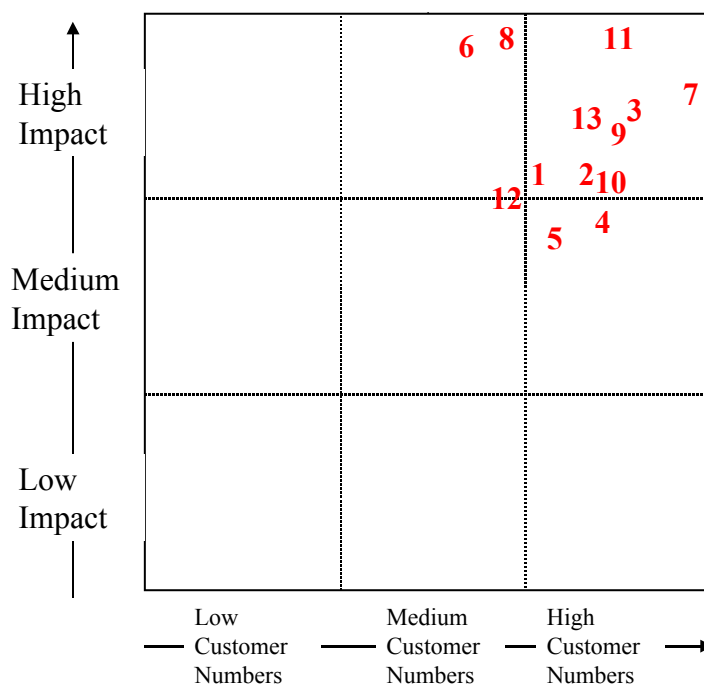
The matrix below summarises the views of industry participants on what the perceived impact and costs will be of implementing the proposed improvements to the transfer process set out in the table.



Ref. No	Transfer Issue
1	Improving accuracy of MPAN / MPRN and address details
2	Increasing access to MPAN / MPRN and address details
3	Shorting transfer timescales
4	Aligning gas and electricity transfer timescales
5	Enabling customers to transfer supplier the day after registration.
6	Introducing a single telephone number for customers to find out who their electricity and gas supplier is.
7	Improving industry processes to reduce erroneous transfers
8	Aligning the windows for obtaining meter reads on change of transfer in gas and electricity.
9	Aligning the windows for submitting meter reads on change of transfer in gas and electricity.
10	Only allowing transfers to take place where an actual or customer own read had been obtained
11	Improving industry processes to reduce the incidence of agreed / disputed reads
12	Improving the agreed read and disputed reads procedures
13	Introducing the ability for the incoming supplier to tell the incumbent of a Change Of Tenancy when transferring a site
14	Ofgem setting standards and publishing performance for suppliers on meter reading and erroneous transfers

Appendix B

The matrix below summarises the views of customer representatives on what the perceived impact and likely number of customers effected will be of implementing the proposed improvements to the transfer process set out in the table.



Ref. No	Transfer Issue
1	Improving accuracy of MPAN / MPRN and address details held be companies
2	Increasing access to MPAN / MPRN and address details held be companies
3	Shortening transfer timescales
4	Aligning gas and electricity transfer timescales
5	Enabling customers to transfer supplier the day after registration.
6	Ensuring that customer cancellations are acted upon before an erroneous transfer takes place.
7	Introducing a single telephone number for customers to find out who their electricity and gas supplier is.
8	Ensuring that the correct incentives are in place for suppliers not to make erroneous transfers
9	Aligning the windows for obtaining meter reads on change of transfer in gas and electricity.
10	Only allowing transfers to take place where an actual or customer own read had been obtained
11	Ensuring that customers have an accurate final bill
12	Introducing the ability for the incoming supplier to tell the incumbent of a Change of Tenancy when transferring a site in the gas market
13	Ofgem setting standards and publishing performance for suppliers on meter reading and erroneous transfers