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Dear Nigel

Contribution from Sohn Associates on the Customer Transfer Process Discussion Document

I am writing to give the views of Sohn Associates on the Customer Transfer Process Discussion Document.

Sohn is a new consultancy whose members have extensive experience in the UK energy markets. We are familiar with the issues surrounding the transfer process and our team has a good track record of problem resolution and innovation. Sohn is independent and is developing ideas and options that will deliver solutions across a wide range of differing objectives.

Principles

We fully agree that the principles set out in section 5 are sound, but we would add one more. At present a supplier's relationship with his customer can be forcibly disrupted by an erroneous transfer (ET). This can be likened to Tesco spiriting customers out of Sainsbury's stores and forcing them to make the return journey! In our view, the industry has come to regard ETs as a fact of life, but in fact this is a golden opportunity to eliminate them. It is desirable to add to the 'control' principle that a supplier should be able to continue to supply their customer on a transparent basis for as long as the customer wishes. We believe that the development of the market will be held back if this issue is not tackled at its root cause.

As part of their work on transfer processes suppliers and Ofgem should aim to develop a very clear set of objectives based on agreed principles, which should then form the basis of a time-boxed project to deliver.

Progress

The current process has been running for a long time. This consultation is a move forward but progress is slow, particularly when viewed against the possible benefits which can be captured through wise investment in reducing costs and improving the customer experience of transfer. The principal objectives are well understood, but other than peripheral changes over the past two years, progress has been very limited, and change is required at a faster pace.

The consequences of slow progress are loss of reputation of the market and market participants in Great Britain, high costs incurred by supply businesses to the detriment of many stakeholders, and poor customer experience. We should also consider the staff and management of supply businesses, who are dealing unnecessarily with re-work, customer complaints and complexity. All of these issues may be perceived as barriers to entry and put the competitive marketplace at risk. A solid plan and a will to drive progress are required and Ofgem has a role in ensuring that this happens.

Innovation

The document correctly identifies the multiplicity of parties that might be affected by changes to the transfer processes. Innovative solutions are available that will reduce the need for overly complex rules and that will use market forces on a supplier led basis to drive change. A solution can be developed such that those with fewer transfer problems will do better in the battle for customers. A few fundamental changes of an enabling nature are needed, which suppliers can use to improve their own processes and to take control of delivery for their customers.

There are areas where relatively simple changes could facilitate substantial improvements. These include:

- a) separating the storage of data from the processes that use it and making it more accessible outside the context of the current transfer process. Suppliers could then be sure that a transfer would work before initiating it;
- b) standardising MPAS functionality and accessibility. The MPAS is fundamental to the transfer and settlement processes and we should review and learn from the experience of running 14 separate MPAS operations since 1998;
- c) reviewing the “purity” of MPRS. DNO’s may have taken added-value from the development of the registration systems by including exit-point information which is relevant for asset management, but not required for registration and transfer;
- d) allowing the unpicking of registrations by providing an 'undo button' for suppliers,
- e) allowing multiple registrants per MPAN/ MPRN and allowing normal market forces to resolve conflicts. Any supplier who erroneously registered a customer would be properly incentivised to resolve the situation as they would have no contract to provide income and would incur all energy and transport costs until resolution; and
- f) aligning the gas process with electricity, in particular with regard to the transfer timetable.

These measures would enable suppliers to drive rapid progress without wholesale change to the underlying processes. Once the enabling measures had been implemented, market forces would drive the adoption of better processes by suppliers and agents.

Leadership & Governance

We are pleased to see that suppliers are taking the initiative on changes to the transfer processes. Under the “supplier hub” principle it is essential that suppliers have primacy over the industry mechanics underlying all aspects of the customer relationship, including switching.

Leadership must be strong, clear and focussed on delivering substantive improvements in a short time frame. There is a role for Ofgem not only to be supportive, but also to cut through prevarication when it occurs. Leadership also needs to be independent and not driven by particular company interests.

Recent discussions on debt assignment show how slow and difficult progress can be without an objective view of a solution which provides benefit to all stakeholders.

Robust governance arrangements will need careful thought, and the many lessons learnt from previous major change processes, for example RGMA, NETA or the Joint PES Workstream work of 1998, should be applied in development work for the next phase..

We at Sohn will be happy to expand on any point in this response and would welcome involvement in the process.

Yours sincerely

Rodney Brook
