

Smarter Markets

Change of Supplier Update

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Ofgem establishes road map to make switching easier for consumers

A fast and reliable switching process can encourage consumers to engage in the energy market, and make companies work harder to meet their needs.

We have reviewed the switching process and identified changes that could deliver fast, potentially next day, transfers and improve the reliability of the process for consumers. We will consult in March on longer term changes that build on smart metering.

However, we believe that improvements must start now. Ofgem is therefore proposing to tighten up the current

rules to secure a reliable three-week switch (after any cooling off arrangements)¹ while reforms are being developed.

Government has recently asked the industry to see what changes could be made in the short term to speed up the switching process. We welcome the focus that government is bringing to this area. We will provide support to industry's response and are challenging them to deliver as soon as possible.

Current rules on switching

Over 5 million switches took place in the last year. When a consumer decides to switch supplier, they should have confidence that the switch will be fast, reliable and straightforward.

New rules brought in across Europe, require that a switch should take three weeks at most (after any cooling off period that the consumer may have). Our figures show that only eight out of ten domestic switches in Great Britain hit this target in electricity and that this drops to less than two in ten for the gas market. Changes to the systems that support gas switching, approved by Ofgem and implemented last month, should enable a significant improvement to performance in gas. However, it is clear that greater focus is needed by suppliers if the target is to be met for all switches. We will continue to monitor how suppliers perform against this standard.

About our review

Between May and October this year, Ofgem led a detailed review of the end-to-end switching process with consumer bodies, government and industry. Many of these arrangements have been in place since competition started in the late 90's and need to be updated to take advantage of new technology and the roll out of smart meters.

Through our review we identified changes that can be implemented in the short term to improve speed and reliability. This review has also informed the more ambitious proposals, that we will consult on next year, to deliver reliable and fast, eg next day, transfers. We have now [published](#) a detailed summary of our review.

What consumers told us

We conducted qualitative research with both [domestic](#) and [business](#) consumers about their experiences and what they want from a new change of supplier process.

Overall, domestic consumers said that they were most concerned about the earlier stages of the switching process, such as choosing the best deal for them. When asked to think about the change of supplier process, consumers said they wanted a reliable and accurate transfer and for it to be as efficient and streamlined as possible.

For some business consumers, a faster switch was felt to have benefits. However, their primary concern was for the transfer to be reliable and hassle-free. A number of businesses raised concerns about the objections process – where a supplier can block the switch in certain circumstances.

¹ The cooling off period (during which a customer can cancel their contract) is typically around 7 days but some suppliers offer two weeks to customers. The switch can therefore take around five weeks in total.

Securing improvements for consumers now

Our consumer research shows that reliability is currently the number one priority for consumers. We have identified changes that should be made now to secure a reliable three week switch for consumers while industry drives forward work to make switching faster.

We are now:

- Consulting on tougher rules, to be implemented as soon as possible next year, that would require suppliers to switch all consumers within three weeks (after any cooling off period)
- Consulting on tougher rules to make sure companies transfer the right consumer or face penalties if they do not

- Looking to put certain practices under the microscope by stepping up our monitoring, including supplier behaviour in blocking a switch in certain circumstances.

It is vital that consumers can have confidence in the transfer process and we want industry to communicate clearly what should happen when a consumer decides to switch. Energy UK, the trade association that includes the large domestic energy suppliers, shares our ambition to introduce a switching guarantee for consumers and will consider this in line with the improvements that suppliers are currently developing to achieve faster switching. Energy UK has also agreed to review its current billing code of practice to ensure that it meets consumers' needs when they switch supplier.

Supporting the industry's work to speed up the switching process in the short term

Through our ongoing retail market reforms, Ofgem is introducing new rules to make the market simpler, clearer and fairer, so that consumers can identify the best deal for them. Suppliers need to go further to rebuild consumers' trust by introducing changes that improve both the reliability and speed of the transfer process.

In response to the government's push for faster switching, suppliers are assessing the output of our review of the switching process to identify changes that allow consumers to switch more quickly than today. We are working with industry on this initiative to ensure that it delivers the right outcome for consumers. We are challenging the industry to deliver a faster switching process as quickly as possible.

Longer term improvements to the switching process

Our review suggests that, by building on the roll-out of smart metering, we can go even further on switching timescales so that domestic and business consumers could move to their new supplier the next day, or even on the same day.

These changes, in particular introducing a new central switching service that brings together the existing services in gas and electricity, could improve the reliability and efficiency of the transfer process for consumers and bring down costs. This could also streamline the process for dual fuel consumers.

To support our analysis, we have asked industry for information on how much it will cost to make these changes and what the wider benefits would be. We will consult on these reforms, with a full impact assessment of the costs and benefits, in March 2014. We will then introduce any changes as early as possible.

Feedback

We welcome your views on this update or how it could be improved. If you have any comments, please email: smartermarkets@ofgem.gov.uk
