

Andrew Wallace
Ofgem
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31 January 2014

Dear Andrew

Standard Licence Condition (SLC) 14A of the gas and electricity supply licences

Consumer Futures shares Ofgem's goal of improving the consumer experience of switching energy supplier, and sees a reduction in the length of Change of Supply process as a key part of the necessary improvements, along with improvements to the transparency, ease and accuracy of the overall process. In common with Ed Davey,¹ we're supportive of the introduction of 24 hour switching.

We are supportive of Ofgem's current proposals and timetable as an important interim step towards delivering these wider improvements to the switching process.

Consumer Futures would like to see the ambition for 24 hour switching being driven significantly faster than the current 2018 timeframe. As part of this transition we would also like to see the current industry arrangement for cooling off periods brought in line with consumer experiences in other retail areas, with the cooling off period taking place after the switch. This gives the consumer a chance to experience the new supplier's customer services and products, as well as giving time for consumers to reflect. This consumer desire is reflected in the Ipsos MORI research carried out for Ofgem in preparation for Change of Supplier Expert Group (COSEG)² and is an area we will be addressing in our response to the upcoming wider consultation on the Smart Markets programme.

Consumer Futures (previously Consumer Focus) released a report on this issue (*Switched On? Jan 2013*) which uncovered significant problems with the switching process; a factor that we believe further undermines switching rates.

Our most recent research shows a switching rate of just under 15 per cent,³ which roughly mirrors Ofgem's figures: 13 per cent of gas customers and 14 per cent of

¹ <http://bit.ly/1dS5YWS>

² <http://bit.ly/1fpp76K>

³ Switched On, Jan 2013

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electricity customers switching. This highlights the overall downward trend in consumers deciding to switch in recent years.

Since November 2011 energy firms have been required to complete customer switches within five weeks (a two-week cooling-off period plus three weeks to switch). Particularly worrying were our findings that one in six switches was exceeding the existing time requirements, and over a quarter of customers who did switch say they would never switch again.

Our research shows that in the first eight months after the switching time requirement came in, those surveyed reported that the time taken to switch exceeded five weeks for one in six customers (16 per cent) and took more than six weeks for almost one in 10 (9 per cent). We feel that this seriously undermines the switching process.⁴

The regulator has recognised that switching once does not mean consumers become permanently engaged with shopping around, and Ofgem is proposing a welcome raft of changes to help with choice editing, as well as providing clearer and more comparable information to customers.

We feel suppliers, in addition to these new licence conditions, also need a clear incentive to meet the required switching times. Ofgem is currently reviewing the guaranteed standards for customers and we believe it should put in place compensation arrangements for customers if the deadline is not met. This will serve as further motivation for industry, as well as helping ease current consumer dissatisfaction with the switching process.

Yours,

James Court

Policy Manager

⁴ Switched On, Jan 2013