

Modification proposal:	<b>Master Registration Agreement (MRA) Change Proposal (CP) 210: 'Allow registration to start in cooling off period' and 211: 'New clauses to Section 15 of the MRA to allow a registration to be withdrawn'</b>		
Decision:	The Authority <sup>1</sup> provides its consent for these changes to be made		
Target audience:	MRASCo, Parties to the MRA and other interested parties		
Date of publication:	30 April 2014	Implementation date:	6 November 2014

## Background

Consumer switching is an important driver for a competitive energy supply market. By switching supplier, consumers can both individually realise cost savings and exert competitive pressure on the market. This competitive pressure can keep prices lower than they would otherwise be, improve customer service standards and drive innovation.

Both gas and electricity suppliers have licence obligations<sup>2</sup> to ensure that a customer transfer is completed within 21 days, though this period may commence at the completion of a statutory 14 day cooling off period.<sup>3</sup> It is current practice in both industries, and indeed an MRA requirement for electricity suppliers, to wait until the cooling off period has concluded before making a transfer request. The overall transfer process therefore typically takes around five weeks.

If a consumer is registered to a new supplier without their consent, this can cause confusion and distress, and damage consumers' perception of the market. Earlier this month we issued a statutory consultation<sup>4</sup> on modifications to the standard conditions of gas and electricity suppliers' licences, requiring them to take all reasonable steps to ensure that they do not take over the supply of a customer against their wishes.

In addition to the consumer detriment, the resolution of such Erroneous Transfers (ETs) is costly for both the supplier who incorrectly registered the consumer and the previous supplier to whom they are returned. In order to mitigate to the potential for an ET, the MRA currently prohibits a supplier from applying for a registration until the expiry of the cooling off period. There are also MRA agreed procedures for the rectification of any ETs that do occur, which is around 1% of all transfers. This provision also allows for the consumer to change their mind and cancel their switch to a new supplier during the cooling off period.

Responding to the government's recent challenge for the energy industry to speed up the switching process, Energy UK<sup>5</sup> has, on behalf of its members, committed to halving the switching period by the winter of 2014. This would ensure that a consumer transfer is completed within three working days of the two week cooling off period ending.<sup>6</sup>

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of Gas and Electricity Markets

<sup>2</sup> For electricity supplier obligations see [Standard Condition 14A: Customer Transfer](#)

<sup>3</sup> Under the EU Directive on Consumer Rights (2011/83/EC), which comes into effect 13 June 2014, consumers will have 14 calendar days to change their mind on a purchase, including an energy contract.

<sup>4</sup> [www.ofgem.gov.uk/ofgem-publications/87151/statutoryconsultationonforcethreeweekswitchingandpreventerroneoustransfers.pdf](http://www.ofgem.gov.uk/ofgem-publications/87151/statutoryconsultationonforcethreeweekswitchingandpreventerroneoustransfers.pdf)

<sup>5</sup> Energy UK is a trade association that represents the majority of UK energy suppliers: [www.energy-uk.org.uk](http://www.energy-uk.org.uk)

## **The change proposals**

MRA CP 210 seeks to allow the registration of a customer to commence during, and proceed in parallel with, the cooling off period. It is recognised that in doing so, there is a greater risk of an ET, as the customer may subsequently change their mind.

MRA CP 211 seeks to allow the registration of a customer to be withdrawn. This will reduce the number of ETs and in doing so mitigate the potential drawbacks of MRA CP 210.

## **MRA Development Board and MRA Forum**

The MRA Development Board (MDB) considered MRA CPs 210 and 211 at its meeting of 12 February 2014 and voted to accept the changes, with amended wording which it considered to be an immaterial change. No appeals to the MRA Forum were made.

## **The Authority's decision**

We have considered the change reports submitted to us 24 March 2014 and note that all of the respondents who expressed an interest supported both proposals.

Improving the change of supplier process is a core element of our strategy to create smarter markets which are more efficient, dynamic and competitive. This may encourage those who have switched to do so again, and potentially encourage those who have never switched to do so for the first time. This latter group of consumers in particular could make significant savings.

MRA CP 210 and 211 will improve the efficiency of the customer transfer procedures and in doing so facilitate competition in the electricity retail market. We therefore agree with the MDB that the implementation of both MRA CP 210 and 211 will better facilitate the requirements of Standard Condition 23 of the Distribution Licence<sup>7</sup> compared to the existing provisions of the MRA.

This modification, and others raised as part of Energy UK's work, will cut the switching time in half by the end of 2014. This should increase levels of consumer engagement and as such promote competition between shippers and suppliers, drive improvements to service standards and support innovation. Improving the switching experience will play a fundamental role in improving the operation of the retail market.

We have today also published our decisions to accept modification to the Uniform Network Code (UNC)<sup>8</sup> and independent Gas Transporters UNC.<sup>9</sup>

As we set out in our change of supplier roadmap in December last year, these modifications to half the switching time are an important intermediate step on the path to reliable next day switching. We will be consulting on proposals for this next month.

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<sup>7</sup> Standard licence conditions available at:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

<sup>8</sup> UNC 477: 'Supply Point registration – facilitation of faster switching'

<sup>9</sup> iGT059: 'Supply Point registration – facilitation of faster switching'

## **Decision notice**

We consent to change proposals MRA CP 210: 'Allowing registration to start in the cooling off period' and MRA CP 211: 'New clauses to Section 15 of the MRA to allow a registration to be withdrawn' being made.

**Rob Church**

**Associate Partner, Smart Metering and Smarter Markets**

Signed on behalf of the Authority and authorised for that purpose