

Change of supplier

SMCG

19 May 2014

ofgem

- State of the Market Assessment identified problems with switching as a key factor in consumer disengagement
- We are undertaking a three-stage process to improve switching:
 - *By mid-2014 = licence conditions for reliable three week switch*
 - *By end-2014 = Energy UK-led commitment to halve switching to 17 days*
 - *By 2018 = Rebuild industry central IT systems to introduce fast (ie next day) switching*

- Provide an update on the three stages in our road map for reform
- Set out our key arguments for:
 - (1) centralising registration services; and
 - (2) introducing fast (next day) switching

1. Secure a reliable three week switch now

2. Speed up switching in the short term

3. Longer term reform

- Tougher licence requirements from Aug 2014:
 - Strengthen three week switching backstop
 - Preventing erroneous transfers
- Initiating industry work:
 - Improving the CoS meter read process for smart meter customers
 - Industry work to improve data quality
- Additional monitoring for example on objection performance assurance
- Energy UK to review billing code of practice

**1. Secure a reliable
three week switch
now**

**2. Speed up switching
in the short term**

3. Longer term reform

- Welcome suppliers work to halve switching timescales by end 2014
 - Modifications to industry codes signed off
 - Industry undertaking testing
- Welcome agreement from Energy UK to review cooling-off arrangements and report to Ofgem:
 - Check if current arrangements fit for purpose for now and 17 day switch
 - What changes needed to support longer term reforms
 - Discuss report and next steps at COSEG

**1. Secure a reliable
three week switch
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3. Longer term reform

- May consultation on key structural reforms:
 - New centralised registration service
 - Next-day, two-day and five-day transfers
- Consult on launching an SCR. We are also considering how best to ensure the success of the next phase

- Current systems designed and built in 1990s:
 - *Separate systems for gas and electricity*
 - *Consumers experience poor outcomes (slow, errors, complicated)*
 - *Consumer research identified reliability as top priority*
- Current outcomes for consumers are sub-optimal:
 - *80% of gas switches take more than 5 weeks*
- Cost of upgrading to new systems are small:
 - *c.£3 per customer one off investment cost*

Centralising registration would provide:

- ✓ Improved consumer experience, by creating a reliable and fast dual-fuel switch , which should increase engagement
- ✓ Opportunity to streamline and remove complexity by introducing a single system based on modern technology
- ✓ Consolidated governance of IT systems sitting at the heart of competitive supply market with a single central licensed body

- Expectations will be greater in the future
 - *Smart meters will increase engagement and demand for better services from suppliers*
 - *Experience in other sectors will also drive expectations*
- Faster switching builds on current action to tackle reliability
- Next-day switching broadly similar to five-week systems
 - *Current systems = c.£2.11/customer/year*
 - *New systems = c.£2.37/customer/year*
 - *Reforming objections could reduce costs further*

Next day switching would:

- ✓ Meet increased expectations driven by smart and experience of other retail markets
- ✓ Provide increased consumer engagement which will drive competition benefits (price, service and innovation) and will also have direct benefits for those that switch
- ✓ Be cost effective

Change of Supplier

Delivering reliable next day switching

| Key reform | Description |
|---|---|
| Centralised registration service | A central Supply Point Register for the gas and electricity market with a common switching service. We propose that this would be provided by the DCC and governed under the SEC. The switching service would facilitate near real time processing of data flows using common processes and data flows for the gas and electricity |
| Objections | A central objection register, maintained as part of the central switching service. This will hold the objection status of each gas and electricity supply point. Suppliers would be required to maintain central objections register so that it is accurate on a daily basis for every supply point that they wanted to object to. Where a supplier requested a transfer, it will receive a near instant response on whether the supply point transfer has been blocked or will successfully switch |
| Gas confirmation window | The window will be reduced so that the objection window (for both the gas and electricity markets) closes at 5pm on the day before the transfer took place. This will allow a transfer request to be made the day before the requested switching date. When combined with the objections reform noted above, a transfer request could be made up to 5pm on the day before the switch. |
| Metering | We have not included any metering reforms in our proposed reform package. We are consulting on the benefits of including a central electricity metering database holding consumption data and MTD for traditional and AMR meters |
| Cooling off | When a customer switches and then changes their mind during the cooling off period, robust industry arrangement will facilitate the customers returned to their previous supplier, without hassle. |