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**The Renewable Energy Company Ltd (Ecotricity)**  
**Response to Ofgem Consultation on moving to reliable next day switching**

Dear Andrew Wallace,

Ecotricity is an independent renewable energy generator and supplier, with over 130,000 gas and electricity customers. We pride ourselves in the professional, transparent and personalised customer service that we offer, which is consistently recognised by our customers and third party surveys.

Ecotricity welcomes Ofgem's continued review of the switching process. We agree that when a consumer chooses to switch it should be easy, reliable and quick and that the current arrangements can be the opposite. We have supported Ofgem's previous proposals for reducing switching times. We agree for the most part with Ofgem's assessment of the alternatives and we strongly support introduction of new centralised registration service which will improve reliability of data. We consider, however, that Ofgem should conduct a review of objections process before committing to the additional costs of an objections register associated with 24 hour switching. In addition, we suggest a phased approach to reduced switching times to reduce risks associated with increased speed of switching.

We offer our comments below in respect of current proposals on moving to reliable next day switching.

## **Chapter 2**

### **Question 1: Do you agree that Ofgem have accurately described the benefits of improving the switching process?**

We agree that the current processes are in need of some improvement, especially in terms of reliability and that enhancing reliability of a switch would be of significant benefit to the customer. We further agree that gas and electricity processes could benefit from being combined so that a dual fuel customer's switch can be realised concurrently. We are currently able to achieve an electricity switch within 24 hours of the end of a customer's cooling off period. However, industry is a long way from realising the same for gas. This is far from acceptable to the customer.

Increasing the speed of the switch will significantly benefit those customers who are already active switchers; however, we do not agree that it will necessarily improve the experience for those customers who switch less frequently. We agree with Ofgem's research in regard to the latter category of customer that their preference is for a reliable switch rather than a fast one.

Faster switching times will make for a more fluid and dynamic market with possibility of particularly active customers choosing to switch frequently. Whilst we support improved switching times we are conscious of the likely ensuing business issues, for example the billing issues related to a customer who serially switches supply or cancels a switch during their cooling off period.

In addition a more dynamic market may encourage some suppliers to offer more limited availability fixed term/exit fee tariffs in order to manage the risks associated with the increased market volatility and to more predictably purchase the necessary power (see our response to Q3 of Chapter 3 below).

We encourage Ofgem to consider in more detail (than is obvious from this consultation) the benefits of faster switching on vulnerable and sticky customers who we consider should be one of the primary beneficiaries of these changes.

Finally we do agree with Ofgem's statement that benefits of faster switching are difficult to quantify.

## **Chapter 3**

### **Question 1: Do you agree with Ofgem's impact assessment on next day, two day and five day switching based on either a new centralised registration service operated by DCC or enhancing existing network-run switching services?**

### **Question 2: Do you agree with our proposals to implement next-day switching on a new centralised registration service operated by DCC?**

Our answers to questions 1&2 of Chapter 3 are combined below.

We agree with Ofgem's assessment that the introduction of a new centralised registration service will improve reliability and accuracy of switching. Existing systems and arrangements, which date back to 1990s, we agree are in need of fundamental overhaul; the incremental improvements which have been made over time now require consolidation.

We note that when last surveyed, customer expectations were low in terms of the speed required of a switch: approximately 2-4 weeks. This is consistent with our understanding of customer expectation; the vast majority would prefer a reliable and accurate switch to an overnight one, especially if billing cannot be made to follow switching times in terms of speed (see our later response on metering).

We have considered Ofgem's analysis of costs and agree that the capital expenditure required for additional reliability, accuracy and reduced operating costs is acceptable. We therefore agree with Ofgem's assessment that a new centralised registration service is appropriate.

We note that with effect from November 2014, a switch will effectively take place within 3 days from the end of the cooling off period and that a customer and supplier may agree to start a switch during their cooling off period. This is already quicker than the 5 days proposed by Ofgem's third option. We agree, therefore, that there is no advantage for the consumer or supplier with the 5 day option.

We also agree with Ofgem's assessment that the objections process should be reviewed, especially if the cost of improving it significantly increases overall capital expenditure costs. We have argued previously that objections practises too often serve as a mechanism for slowing down the transfer process. We therefore look forward to receiving Ofgem's proposals on this later this year and trust that a review of objections practices will consider all aspects of the licence conditions and not just SLC14; for example the debt assignment protocol; and options for taking a deposit from customers.

We disagree that a 48 hour switch does not provide for future consumer expectations; in our experience customers look for a reliable, fast switch and a switch within 48 hours would be considered fast even when compared with other industries. That said if the objections process is removed there would appear to be no bar to switching in 24 hours. It would therefore seem prudent to first review the objections process before committing to the additional costs of an objections register.

Finally, we strongly urge Ofgem to carefully consider the risks associated with the competing priorities over the suggested period of implementation. Smaller suppliers, with more limited resources, may struggle to handle the volume and cost of process changes required for the introduction of smart meters and next day switching.

### **Broker switching**

Timing of the flow of customer data between brokers and suppliers can be slow. In addition, there can be business process time-lags between receipt of a customer's data and start of dataflow for registration purposes. Both these aspects affect the actual time it takes to switch a customer. In our view, a customer's contract start date is the day we begin to process the customer's data; other companies may take a different view. We strongly suggest that Ofgem factor front end data flow into expectations of next day switching.

## **Statutory Cooling Off**

We note that Energy UK is examining the implications of facilitating a switch during a customer's cooling off period. This work is fundamental to next day switching proposals. Given that it is of such significance, and not all suppliers are members of Energy UK, we consider that this work-stream should be managed by Ofgem to ensure consistency of communication and application.

## **Prepayment Meter Customers**

It is important that further consideration be given to the impact upon prepayment meter customers of next day switching. It is clearly inequitable if some customers are prevented from doing so because of the practicalities. Any new innovative tariffs developed as a result of improved switching times would most likely, therefore, be unavailable to prepayment customers whom we have found to be very active switchers; 70% of our customer growth over the first 6 months of 2014 has been as a result of switches by prepayment meter customers.

## **Question 3: Do you consider that fast (ie next day) switching will not have a detrimental impact on the gas and electricity balancing arrangements?**

Faster switching may affect both balancing and pricing in the gas and electricity market. We consider that during the period whilst the market adjusts to a faster switching regime unpredictable market conditions could ensue. The necessity to buy or sell more short term power will increase supplier risk, which could affect pricing; both positively and negatively. On the positive side we could see suppliers offering limited availability fixed term products which reflect the low wholesale price available at a point in time, but on the down side suppliers could be forced to increase prices of evergreen tariffs to counter the possible increase in costs of short term purchasing.

We therefore believe that faster switching may affect the wholesale market; however, it is difficult to determine at this stage whether the effect will be detrimental or not. We urge Ofgem to consider a phased approach to reducing switching times, for example moving from 3 days to 2 and finally to next day switching over a period of time as this would give suppliers and industry the opportunity to take a more measured approach to the faster regime.

## **Chapter 4**

**Question 1: A central electricity metering database is not currently included within Ofgem's proposed package of reforms. Do you agree it should be excluded?**

**Question 2: If a central electricity metering database is included within Ofgem's proposed reform package do you consider that it should cover both AMR and traditional meters? Do you think that there would be any benefit in extending the central electricity metering database to cover smart meters?**

Our answers to questions 1&2 of Chapter 4 are combined below.

We strongly support the introduction of a central electricity metering database that would hold Meter Technical Details and supply point consumption history. We agree with Ofgem's assessment of the benefits of the introduction of such a database and would add that metering is a major issue for suppliers; it is essential that a supplier has metering details as soon as practicable following a switch to enable it to adequately set up an account and make it billable within the timeframes expected – a significant advantage to both the supplier and the consumer.

We note and welcome the new agent requirements effective November 2014 which will reduce the time allowed to appoint metering agents and exchange data from 27WDs to 7WDs. Without these changes 24/48 hour switching would be impossible; however, even with them we consider that 24/48 hour switching cannot be guaranteed. We therefore support the introduction of the central electricity metering database to guarantee a switch within 24/48 hours.

In addition, we consider that the introduction of a central electricity metering database should be aligned with, and in fact extended beyond, DCC's plans for roll out of Smart Metering and should cover both AMR and traditional meters.

## **Chapter 5**

**Question 1: Do you agree with the implementation principles identified?**

**Question 2: Do you agree that Ofgem has identified the right risks and issues when thinking about the implementation of its lead option?**

**Question 3: Do you agree that Ofgem has identified the right implementation stages?**

**Question 4: What do you think is the best way to run the next phase of work to develop the Target Operating Model for the new switching arrangements?**

**Question 5: What do you think are the advantages and disadvantages of the DCC being directly involved in the design of the Target Operating Model for the new switching arrangements and the development of the detailed changes required?**

**Question 6: Do you agree that an SCR is the best approach to making the necessary regulatory changes to improve the switching arrangements?**

**Question 7: Do you agree with the proposed switching timetable? Are there ways to bring forward Ofgem's target go-live date?**

Our answers to questions in Chapter 5 are combined below.

We agree with the implementation principles proposed and that the DCC should manage the development of the Target Operating Model and implementation of a new registration system; they are data management professionals and it makes sense that they should manage process. We recognise the inherent risks associated with their competing priorities and agree that Ofgem oversight is necessary.

The SCR is the most logical approach to managing the changes required of multiple codes and conditions. The alternative routes will not, in our view, provide adequate coherence required for a project of this complexity.

The timeline outlined looks achievable. To do it more quickly would increase the associated risks as outlined above.

However, in light of implications for the wholesale market and balancing; the risks associated with competing priorities for both the DCC and suppliers; the potential changes to the objections processes; and the complications presented by statutory cooling off periods; we recommend that Ofgem take phased approach to reducing switching times:

1. Introduce new supply point registration system;
2. Remove objections process and introduce switching during the cooling off period;
3. Incrementally reduce timeframes for switching from 3 days to 2 days to 1 day.

Given the high risks of failure to deliver due to competing priorities and reliability of transition between arrangements, Ofgem should be wary of setting customer expectations too high.

## Conclusion

We support introduction of new centralised registration service which will improve reliability of data. We propose that Ofgem review the objections process before committing to any additional costs associated with an objections register. We believe that Ofgem should consider bringing in-house the management of the cancellation process during a customer's statutory cooling off period; this work is a significant piece of work and fundamental to the next day switching proposals.

We strongly support the introduction of a central electricity metering database to hold Meter Technical Details and supply point consumption history to make a new account billable within reasonable timeframes. In addition, we suggest a phased approach to reduced switching times to reduce risks to all parties associated with increased speed of switching.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769301 or [holly.tomlinson@ecotricity.co.uk](mailto:holly.tomlinson@ecotricity.co.uk).

Yours sincerely,



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