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Andrew Wallace
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Dear Andrew

Moving to reliable next day switching

Please find attached Flow Energy's response to the questions raised in the consultation.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Mike", with a horizontal line drawn through it.

Mike Gibson
Operations Director

CHAPTER: Two

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

Flow agrees that Ofgem has accurately described the benefits of improving the switching process however, notes that one of the major benefits identified is allowing domestic customers to interact confidently with TPIs/ switching sites. It is unclear how faster domestic switching will allow consumers to more confidently interact with switching sites and TPIs.

Reliable processes should increase the number of customers who switch, and the frequency of those switches, which may help empower customers to choose a supplier without using third parties.

CHAPTER: Three

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

There would be significant costs to smaller suppliers for implementing faster switching. Whilst it may be expected that small suppliers see a rise in market share, this will increase volatility in customer numbers and therefore increase the risks to suppliers' trading and hedging strategies; these risks will be particularly acute for smaller suppliers.

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

Flow considers that a single centralised registration service is the only practicable solution for reliable next day switching. Given its role with Smart Metering it seems sensible for this activity to sit with the DCC, provided they have the capacity and appetite to manage registration for sites with non-smart meters and any sites with non-dcc-adoptable meters.

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

Next day switching is unlikely to have a significant impact on balancing, however it may have a more detrimental impact on settlement. The possibility for frequent, sequential switches within the cooling-off period, increases the likelihood of a consumer becoming "lost" to the system, unbillable by an energy supplier and potentially unable to be settled.

CHAPTER: Four

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

In Flow's opinion a central metering database would be desirable in allowing reliable switching in such a short period. One of the major reasons for customers being billed incorrectly and/or late is due to Meter Technical Details or a Market Read History not properly transferring over to the new supplier. If MTDs and an MRH could be accessed immediately at the point of registration, switching is much more likely to be successfully concluded quickly with far fewer problems for consumers and costs for suppliers. However, Flow recognises that there are limitations in time and scope that make this option less attractive.

Question 2: *If a central electricity metering database is included within our proposed package of reforms, 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?*

The metering database should cover all meter types, the drawbacks for not having immediate accesses to metering data remain the same regardless of the metering technology.

CHAPTER: Five

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

Whilst the focus must be on consumer outcomes, consideration must be given to how the market at a whole operates. In particular consideration must be given as to whether these proposals will create an environment in which a larger number of smaller suppliers can thrive, effectively competing against each other (and larger, more entrenched market participants) and therefore promoting better consumer outcomes via market competition, or whether these proposals have the capacity to both create barriers to entry to the market, and significantly increase participation risk in that market.

Question 2: *Do you agree that Ofgem has identified the right risks and issues when thinking about the implementation of its lead option (next-day switching with centralised registration)?*

The broad categories of risk appear to be correct.

Question 3: *Do you agree that we have identified the right implementation stages?*

The implementation stages appear to be correct.

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?*

Using DCC to facilitate discussions between interested parties appears to be the best solution, given the engagement work which DCC is already undertaking, its expertise and presumed interest in this area.

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

If DCC is to run central registration, then it appears appropriate that it should be involved in the development of the TOM; DCC appear to have the structure and organisation to deliver the work needed. There will, however, need to be oversight from Ofgem.

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

An SCR would appear to be the best process for this. This should be combined with the SCR on the objections process discussed in passing in this document.

Question 7: *Do you agree with the proposed implementation timetable? Are there ways to bring forward our target go-live date?*

Bringing the target date forward is likely to be difficult given the implementation and roll out of smart metering which will use a significant proportion of industry capacity.

APPENDIX: Three

Question 1: *Do you agree that we have accurately identified and assessed the main reforms that could improve the switching process?*

Ofgem appears to have covered the key areas.

APPENDIX: Four

Question 1: *Do you agree that our approach, methodology and assumptions are appropriate to identify the quantified impacts of our reforms?*

As discussed above, a greater focus on the impacts on smaller market participants is desirable.

Question 2: *Do you agree with our approach for approximating the direct costs for market participants of investing in upgrading existing registration systems to real-time processing and the ongoing costs of operating these systems?*

The approach appears to be robust.

Question 3: *Do you agree with our assumption that the direct costs for market participants of investing in systems to shorten the objections window and the ongoing cost of operating these systems would be similar for a two-day and a one-day objections window?*

Flow agrees with the assumption.

Question 4: *Do you agree with our assumption (see Annex Figure 3) that 10% of the counterfactual change of supplier electricity meter read costs provided by market participants should be attributed to AMR meters?*

As a domestic only supplier that does not deal with AMR, Flow is not in a position to answer this question.

Question 5: *Do you agree with our assumption (see Annex Figure 2) on the reduced efficiency of operating a central electricity metering database for traditional and AMR meters as the numbers of traditional meters declines?*

Flow considers that a single database should be held for all metering types.