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Dear Andrew,

Moving to reliable next day switching consultation

Thank you for the invitation to respond to the above document. Good Energy is a fast-growing 100% renewable electricity supply company, offering value for money and award-winning customer service. An AIM-listed PLC, and founder member of the Social Stock Exchange, our mission is to support change in the energy market, address climate change and boost energy security. Good Energy matches over the course of a year all the electricity its customers use with power from renewable sources. For the last three years, Good Energy has topped the Which? energy company customer satisfaction survey.

Executive Summary

Good Energy welcomes Ofgem's proposal to use the move to smart metering to improve the switching process. Switching dates have for too long been determined by industry rather than the consumer. Allowing consumers to choose their switching date would be a good step forward. We are concerned that there seems to be current suggestion in this document that next day switching will be the norm. In reality we believe that switching dates should be decided by consumers, not suppliers (or the system!) and most customers will probably opt for 1st month or the expiry date of their current fixed term tariff. To this end we feel two day switching (or next day working day switching) would suffice.

With the mandating of the two week cooling off period, we think that Ofgem should look at how best to ensure customers can switch on their day of choice even if this is in their cooling off period. A robust process for this would allow the antiquated "objections" process to be removed and reframed into one where customers cancel their registration when reminded of debt owed to their existing supplier, or an error has occurred.

Although we welcome these proposals in the main, we are concerned about the impact on resources just at the point when suppliers have to deliver the biggest change to their operations since privatisation. We are especially concerned as a smaller supplier about running these two projects concurrently (potentially with a 3rd half hourly settlements project) and the impact on finite resource.

We have answered your specific questions below, expanding our response where necessary.

Options to deliver fast, reliable and cost effective switching

Q1. 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 service?

We do not have the resource to comment on the calculations. We are however concerned that the Impact assessment looks at the overall cost as if the impact would be equal across suppliers. For example, it states

in the IA that most suppliers already have an automated objection process. Whilst this may be true for larger suppliers, smaller suppliers and new entrants are more likely not to have automated processes and will need to upgrade. Under the next day option this becomes critical as most small suppliers operate on a standard working week and therefore would not be able to process switches made on non-working days. Whilst faster switching is welcome, the necessary automation required will increase the barriers to entry into the market. We would ask that Ofgem consider this area in more detail. Faster switching will only benefit customers if there is a good range of choice of suppliers to switch to.

On gas there appears to be an assumption that all gas suppliers are also shippers, this is not the case and the need to pass certain information from central systems to suppliers via a shipper needs to be considered, especially under such options as a 2 hour objection window, and whether it is achievable.

Q2. Do you agree with our proposal to implement next-day switching on a centralised registration service operated by the DCC?

We agree with the proposal to move to a centralised registration service operated by the DCC, however, we are not convinced the increase in automated decision making required for next day switching as opposed to next working day switching, or two day switching are necessarily a good thing for customers. We would expect next day switching to increase the number of cancellation that have to be processed, also an increase in erroneous objections as automated decisions are unable to handle complexity and restrictions on new entry as the cost of market entry increases.

One piece of research missing is whether customers would opt for next day switching, or prefer to opt for a switching day of choice, either the first of the month or as their current fixed term contract ends. The ability of a customer to move on the day of their choice (rather than the industry's) subject to two days notice may be sufficient to address most customers' requirements.

Q3. Do you consider that fast (e.g. next day) switching will not have a detrimental impact on the gas and electricity balancing arrangements?

On the assumption that the proposals are to facilitate next day switching rather than mandate it we would not expect it to impact the balancing arrangements, as we believe most customers will choose a switching date of convenience rather than next day.

We are however concerned that customers exercising their right to cancel within the two week cooling off period after they have started to be supplied, could have a detrimental impact depending on how the issue is resolved. We believe more work on needs to be done in this area.

Metering Reforms

Q1. A central electricity metering database is not currently included within our proposed package of reforms. Do you agree it should be excluded?

With the move to smart metering, the electricity and gas meters along with the communication hub become part of a larger integrated metering system. We see merit in having a centralised metering database which includes the meters and communication hubs at each premises, but see little merit in producing such a database for traditional metering systems with a limited life. Creating a separate centralised electricity metering database separate from the gas database also seems to be sub optimal.

We therefore agree it should be excluded with a view to delivering a centralised database of integrated metering systems including electricity, gas and comms as a separate project.

Q2. 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 there would be any benefit in extending the central electricity metering database to cover smart meters?

As stated above we see little benefit in delivering a database of electricity only, separate from the gas database. We believe that a combined centralised database of Smart Electricity, gas and communication hubs would be the most optimal solution. This will be particularly important where there are separate suppliers for each fuel using the same comms unit.

Implementation approach and timescales

Q1. Do you agree with the implementation principles we have identified?

We agree that you have identified the right issues, although we would add another principle that the process increases the opportunity for competition. Part of this should be that the new process should not increase the barriers to entry, or be developed in a way that favours the losing supplier, over the gaining supplier.

We welcome the recognition in principle 3 that the views of new suppliers are important. It is important that no working groups are dominated by the large suppliers' intent on protecting their 'sticky' customer base at the expense of new suppliers.

Q2. 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)?

On the whole yes. The 3rd point on a reliable transition to new arrangements means all parties involved need to be ready for the switch. It is important that Ofgem ensures all parties are engaged all the way through and not paying catch up after the larger suppliers via Energy UK has arrived at a solution.

Q3. Do you agree that we have identified the right implementation stages?

We support the three stage approach. However, we are concerned about the focus in stage one of the regulatory aspect. Principle 1 states that we should focus on consumer outcomes. This means that the Target operating model should be focused on the delivering consumer outcomes that are wider than a regulatory design. Stage 1 should be renamed "Detailed design of the Target Operating Model"

Q4. 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?

One of our principle concerns in past industry changes is that only the larger suppliers have the resource to provide expertise for the numerous working groups an industry led solution would require. We have seen this in the design of the smart metering programme, and on various modifications to industry codes. We would therefore favour a 3rd party approach with Ofgem taking on a specific role to ensure industry input is balanced, and if necessary facilitate input from under represented parties.

The cost of delivering continual change is a significant burden on smaller suppliers, and this stage of the programme will be running concurrently with smart meter rollout, and possibly a move to half hourly settlement, stretching resources even further.

Q5. 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?

Engaging the DCC in the developments is key as they will have to deliver the service, and understand best the interaction with their existing (future) systems. However, we believe that it would be seen as wrong to ask the DCC to lead the development as there would be a clear conflict of interest. We would also be concerned if it diverted them unduly from their principle delivery of the central smart metering systems.

We would also question whether Government procurement best practice would allow the work to be given to the DCC (or their parent Capita) without a tendering process.

Q6. Do you agree that an SCR is the best approach to making the necessary regulatory changes to improve the switching arrangements?

We support this view, but are concerned that the SCR process is over reliant on input from larger suppliers. We believe that Ofgem should consider how best to engaged smaller suppliers (and other under represented parties) in the process.

Q7. Do you agree with the proposed implementation timetable? Are there ways to bring forward our target go-live date?

We believe that the proposed timetable is ambitious given it will be running concurrently with the biggest change to the industry since market opening i.e. the smart metering programme. Resources within suppliers are not infinite, and as part of stage one we believe a full assessment of the likely impact on all individual parties involved, not just industry as a whole, especially where fixed costs will be the same irrespective of size.

We believe the final stage of 18 months to design, build and test is very ambitious. Suppliers will be unable to commence this phase until they have a clear picture of the design of the central systems, and as such will have even less time to design build and test internal systems.

Appendix 3

Q1. Do you agree that we have accurately identified and assessed the main reforms that could improve the switching process?

We agree with the main reforms. Key to centralised registration is the bringing together of gas and electricity into one database, and allowing customers to switch both fuels at the same time.

With regards to objections, we would ask why the option of abolishing objections was not considered. If these reforms go ahead, then because of the two week cooling off period there will need to be a process for cancelling a registration. This process could then also be used in the case of an unintended switch, or where a customer cancels having realised they were in a fixed term contract that was not due to expire. This then leaves the case of objection for debt, but an expansion of the debt assignment protocol could resolve this, or a customer could initiate a cancellation within the two week window if informed that their debt becomes immediately payable by their old supplier.

One reform we would suggest for inclusion is that the cancellation process within the cooling off period. Energy UK is currently looking at this under the current arrangements, but the proposed solution is likely to be sub-optimal and inefficient both to suppliers and the customer. It could also remove the need for an objection process thus simplifying the switching process.

Appendix 4

Q1. Do you agree that our approach, methodology and assumptions are appropriate to identify the quantified impacts of our reforms?

We do not have the resource to form an opinion. However, we are concerned that whilst the NPV may be correct, the actual cost per customer of delivering the change will vary significantly between large and small suppliers. Several small suppliers may be financially stretched to find the investment for smart metering reforms and be unable to find additional funds without raising consumer prices to the point of being uncompetitive against the larger suppliers with their economies of scale benefit.

Ofgem needs to not just consider the NPV, but the cash flow requirements, particularly of smaller suppliers to ensure they can fund the reforms without raising customer prices beyond the point they become uncompetitive. It is not in anybody's interest if in achieving next day switching, the choice of suppliers is reduced.

Q2. 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?

We do not have the resource to form an opinion. We welcome the recognition that the costs from smaller parties will be different to larger ones, but Ofgem needs to consider the difference on a £ per customer and consider if this has the potential to distort competition.

Q3. 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 one day objections window?

As mentioned above, we believe Ofgem should consider abolishing the objection process and rely on a process that allows cancellation during the cooling off period.

Q4. Do you agree with our assumption (see annex 3) that 10% of the counterfactual change of supplier electricity meter read costs provided by market participants should be attributed to AMR meters?

We do not have the resource to form an opinion.

Q5. Do you agree with our assumption (see annex 2 figure) on the reduced efficiency of operating a central electricity metering database for traditional and AMR meters as the number of traditional meters decline?

We do not have the resource to form an opinion, but as stated above see little point in an electricity database separate from the gas database.

Q6. Do you think there is efficient potential for shortening the objections window to one day combined with: (a) upgrading the existing gas and electricity registration systems to real time processing; or (b) centralising registration with real time processing? If so what do you estimate this efficiency potential to be?

As stated above we believe the objection process itself should be abolished and a single process based on customer cancellations which will be needed to manage the cooling off period would deliver greater efficiency and be more customer focused in line with principle 1.

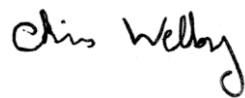
Appendix 5

Q1. Do you think the results set out in this appendix are comprehensive enough to show the potential direct cost impacts of the reform packages we have considered?

No. We are concerned that Ofgem is only looking at the direct cost impact on the industry alone and not considering the impact on different parties and how they may differ in magnitude. A good analysis would be the cost per customer on a supplier based on them having five million, one million, 250,000 and 50,000 customers.

I hope you find this response useful. If you have any questions, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink that reads "Chris Welby". The signature is written in a cursive, slightly slanted style.

Chris Welby

Policy and Regulatory Affairs Director