



Dear Angelita Bradley,

Thank you for the opportunity to respond to Ofgem's consultation on the Target Operating Model (TOM) and Delivery Approach for moving to reliable next day switching.

The Consumer Futures Energy Team within the Citizens Advice service has statutory responsibilities to represent the interests of GB energy consumers. As such we have taken a keen interest in recent moves to facilitate a quicker switching process and the benefits this might bring for consumers.

This response addresses specific issues with the model that may prove costly to energy suppliers, and therefore consumers, and issues which we believe may affect smooth implementation of the model as it stands. We are happy for this response to be published and made publicly available.

We support the direction of travel from Ofgem in terms of greatly reducing the timescale for switching but are keen to see the project delivered at lowest cost and maximum benefit to consumers, including consumers who are not normally active in the energy market.

Bearing the above in mind, please see our observations following –

- Any prospective requirement on energy suppliers to keep a real-time set of flags on consumers they would object to being transferred needs to be very carefully thought through. We are concerned that the process as described for one day switching could create a large administrative burden on suppliers and raise the potential for errors arising from bad data, ultimately leading to higher costs picked up by consumers through their bills. As well as these immediate consequences, we believe it may also have knock-on effects for competition by overburdening independent suppliers who may struggle to find the capacity to deliver on such a time-intensive process. The additional cost versus marginal benefit of one day switching next to an alternative option that would not require such a list to be kept should be a key consideration as the model is developed, as should potential reform of the supplier objections process, including how false positives can be mitigated.
- A consumer awareness campaign will be critical to ensuring that the initiative encourages more people to switch and thus delivers the monetised benefits listed by Ofgem in its decision document (Moving to reliable next-day switching, 10 Feb 2015). There is widespread evidence that switching in the energy market is restricted to a minority of active

consumers, and that many consumers do not switch regularly or have never switched<sup>1</sup>. We are concerned that without a campaign targeted at inactive energy consumers this will not change and non-switching households will potentially foot the bill for a policy initiative that they do not benefit from. In order to make the campaign as effective as possible, we would encourage Ofgem to consider how they might encourage suppliers to integrate it into their normal customer engagement and marketing messages, and how trusted intermediaries to audiences currently disengaged from the market could best be utilised to spread the message about a significantly more attractive switching process.

- If, as indicated, consumers will be given the ability to choose when their switch will be enacted – next day, or up to two weeks later – the project will need to work through informed consent issues. The TPI, or new supplier, acquisition process will need to tell the consumer why they are being given that choice, avoiding the use of pre-ticked boxes ideally. A similar consumer education piece exists around the proposed 5pm cut off time. If a consumer completes their side of the switching process just ahead of the cut-off but the industry data flows take a few minutes more, will they still be switched the next day? Messaging also needs to manage consumer expectations. For example, if people switch after the 5pm deadline will it be made clear that the switch will be in two days rather than one?
- There is some discussion in the document as to the role that Third Party Intermediaries (TPIs) may play in terms of handling consumer data from the CRS in order to help facilitate switches, and the security that will be needed to stop parties from harvesting data they are not entitled to access. If TPIs are to be given access to consumer data, we would strongly advise that a precondition should be their being signatory to the TPI Confidence Code, or any successor code, at a minimum. In the future, we would like to see an Ofgem-run accreditation scheme for TPIs accompanied by a new license requirement on suppliers that oblige them to only deal with accredited providers. This aspiration is all the more important given budding initiatives like the smart meter rollout and 24-hr switching increase opportunities for more dynamic market engagement and thus potentially a growth for the TPI role.
- The document suggests that networks may incur a short term cost to support the transition to a CRS, and then receive a subsequent benefit as they no longer have to provide this service. It also suggests (Paragraph 10.06) that any net effect will be too small for Ofgem to reopen the price controls. We are concerned that this assertion has been made without an estimate being presented of exact costs. If there is a windfall benefit to networks we would want it to be reclaimed – consumers shouldn't have to pay networks for providing a service they no longer provide.
- The TOM appears to be best suited to a circumstance where suppliers are able to remotely read meters. However, we are uncertain as to the achievability of reliable one day switching

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<sup>1</sup> In 2013 the number of customers switching supplier stood at 13% for both electricity and gas, bringing the total proportion of switchers (ever) for gas and electricity to 42% and 39% of households respectively. These figures were taken from IPSOS MORI (2014), 'Customer Engagement with the Energy market: tracking survey 2014'

for non-smart meters, which cannot at present be read remotely, as the process will be dependent on meter agents obtaining agreed readings on a much tighter timescale than presently. We would be interested to learn more from Ofgem about how it plans to ensure that consumers who do not have smart meters can benefit fully from this initiative.

- There are a number of assumptions made in the model that second-guess the outcome of ongoing industry initiatives, for example the Change of Supplier processes for electricity and gas, including when exactly a switch will take effect on the day a new supplier takes over. The treatment in particular circumstances of consumers who switch during their cooling off period is also a live debate. For example, our preference would be for consumers cancelling a switch during their cooling off period to have any cancellation fee returned to them. The outcome of such discussions could have a significant implication for the workability and costs of one day switching, so such issues need to be considered as part of the architecture of the initiative. Given the complexity of plans to enable one day switching, we would recommend a regular audit be carried out of related processes, and stakeholder communications released to keep interested parties informed of any potential slippages or revisions to the scheme.
- The model is unclear as to the exact role played by the DCC in facilitating in terms of holding or providing relevant data. It would be useful for Citizens Advice if it could be established whether DCC will be a one-stop shop for metering data or not. As noted in our previous consultation responses on this matter, we have some reservations concerning whether the delivery of a CRS will distract DCC from its core role of facilitating communication flows for smart meters.
- Finally, we would make the point that delivering a major change such as one day switching under the current regulatory framework, in particular under the current code governance arrangements, will be difficult – even if the Significant Code Review (SCR) mechanism is used. The need to fix switching should add further impetus to the need to reform the codes.

I hope this response is useful to you in your ongoing development of prospective arrangements for reliable next day switching. This initiative is of great interest to Citizens Advice, so we are keen to remain engaged with Ofgem and industry as plans develop further and take part in any related stakeholder meetings or workshops.

Should you wish to discuss further any of the views expressed in this response further, please do not hesitate to contact me directly by email at [Daniel.Walker-Nolan@citizensadvice.org.uk](mailto:Daniel.Walker-Nolan@citizensadvice.org.uk) or by phone on 03000 231 565.

Yours sincerely,

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