

OVO Energy response to the Consultation on Next-Day switching Target Operating Model

For more information, please contact Guy Newey, Head of Policy. guy.newey@ovoenergy.com.

In our response, we have not addressed each of the rather overlapping questions in turn, but set out our key thoughts and concerns about the project. We believe this answer the three questions set out in the letter of February 10th.

1. OVO Energy is supportive of the move to make switching easier for customers. We think such a move will have a beneficial impact on competition. *We would like to be involved in any working groups linked to the programme.* We are not member of Energy UK, so please contact us directly.
2. The programme is extremely ambitious and will require significant investments in IT infrastructure from suppliers, as well as careful market design.
3. Generally, we find the broad model of a CRS model an attractive one. We also think bringing together gas and electricity switching in one place will be extremely valuable and welcome such a structure. This is long overdue in the energy sector.
4. The TOM and Delivery Approach is a very good first step and highlights some important areas for further work. However, it does not yet address in sufficient detail some of the key risks of the proposed model and the steps needed to overcome them.
5. In our opinion, the major risks of the programme include:
 - **Industry data quality.** This is a significant problem for the industry and has been for many years. The success of the proposed fast-switching model depends on significant improvements in data quality. It is not clear that the TOM consultation has provided enough detail on how such improvements can be delivered. In particular, there is the question of whether improvements in the quality of address data are feasible. What are the progressive steps that will lead the industry from the current messy model to a refined CRS model? This should be a focus for future work. Moreover, sanctions for suppliers that do not keep their data up-to-date should be enough to create a deterrent for some of the sloppy practices that characterise the current industry data. Without that improvement, such a model risks creating even more hassle for switchers and raising the perceived difficulty of switching.
 - **Cancellation of switches.** Careful thought will need to be given to what happens to switches where a customer changes his mind during the cooling off period. The TOM consultation recognises this as an issue, but does not give clear guidance in particular on the issue of which supplier can charge for energy used during the interim between switching and returning to the old supplier. This needs to be a considered in much greater detail.
 - **Objections.** Requiring suppliers to keep an up-to-date list of which switches they would object to is a likely necessary requirement for a one-day process. However, it will be extremely difficult and will depend on a dynamic market where debt levels are changing on a daily basis. Whether such a model is feasible is not yet clear and needs to be assessed as a matter of urgency.

- **DCC.** As we have already seen, the smart meter programme is already placing considerable strains on the DCC model, and led to delays which could continue. Adding such a major, complex project on top of this will have to be carefully handled to avoid compromising the success of either project. We remain nervous about whether such an approach can be achieved.
 - **Cost.** It is imperative that the costs of the CRS are controlled. This will be a monopoly provider. The tendering process must be competitive to achieve value for money for customers. The TOM consultation does not provide enough detail on how such a competition will be run to ensure value for money.
6. **Erroneous Transfers.** There is insufficient detail in the TOM about how the ET process will work. While it is desirable that improvements in data will reduce the volume of ETs, it would be naïve to think they will be eliminated. More consideration needs to be given as to how ETs should be handled in the new model.
 7. **MTD information.** We think there should be a re-consideration of whether MTD information should be held centrally. In order for such a complicated process to be as frictionless as possible, the model should be trying to ensure market participants have a clear idea where everything sits. This should include technical meter data. We agree that it is not clear consumption data should sit centrally.
 8. **PPM market.** Not enough consideration has been given to prepayment market and how those customers that wish to retain dumb PPM can make one-day switches.
 9. **Agreed reads.** At the moment, the process for agreeing meter readings can be a source of frustration for market participants during a switch. The suggested model implies a need for smart meters (which are unlikely to have been rolled out to every home by 2018/9 due to current delays in the DCC) to solve this problem. However, what happens with switchers in non-smart homes and how will the agreed reads process work in such a situation? Opt-out rates for smart meters could be crucial in the success of the CRS model.
 10. **Requirements on brokers.** The role of TPIs has not been extensively explored in this consultation. However, with close to 50% of all switches currently coming through broker sites, it is imperative they are involved in this process. Moreover, the quality of data provided to suppliers by switching sites is often quite poor and slows down the current switching process. Without clean data, a one-day process would be extremely difficult. This needs urgent consideration.
 11. **Consumer engagement.** The consultation mentions a need for a consumer engagement body. We are not yet convinced this is necessary and may add unnecessary cost.