

Smarter Markets Team
Ofgem
9 Millbank
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10 April 2015

Dear Smarter Markets Team,

MOVING TO RELIABLE NEXT-DAY SWITCHING: CONSULTATION ON A TARGET OPERATING MODEL

Thank you for the opportunity to comment on the Target Operating Model (TOM) which will support the programme of work to move to reliable next day switching using a new centralised registration service (CRS).

We welcome the publication of the TOM as a helpful first statement of how the new business arrangements to support reliable next-day switching are expected to operate, and the intended approach to delivery. We think this initial version of the TOM is generally well targeted and look forward to participating in its further development. We support Ofgem's intention to update the TOM as the programme develops and, in particular, to maintain it as a high level guide of the key principles for next day switching as the industry discussions develop. We think the current version of the TOM provides a reasonable baseline for that purpose.

Ofgem's stated objective of a fast, reliable and cost-effective switching process is a good one. Implied within that objective is that the overall customer experience of switching must be protected, and hopefully improved. This is essential to maintain consumer confidence in the switching process and ensure that the potential benefits are delivered. We would like to see this expressed more clearly as a guiding principle within the document.

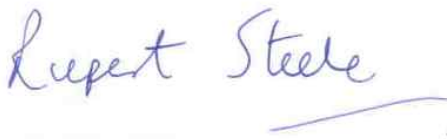
In taking the TOM forward there are two issues which we believe are important points for consideration:

- **Consideration of two day, as well as next day switching.** Ofgem's Decision document proposes to consider two-day switching during the early phase of the programme to assess whether this offers a better outcome for consumers. We think it is crucial that this option is fully assessed and are pleased that this intention is reflected in the TOM. We continue to believe that two day switching would deliver the majority of the consumer benefit that would be delivered by next day switching, and could also provide a more robust and cost effective solution. If further analysis does indicate that the choice is between a more resilient two day switching process and a one day switching process that was likely to be impacted by operational issues, we think that the former would be the better solution – especially given the importance of consumer confidence in the switching process, and therefore the potential detriment from errors or problems in the process..

- **Registration during the cooling off period.** We are concerned about the potential complexities that could arise from the interaction between a 'near real time' registration process and the consumer's statutory right to cancel their contract. In particular, we think careful management will be needed to ensure that the CRS is set up to manage the unwinding of such registrations with the relevant industry parties and that this doesn't jeopardise the consumer switching experience. We would like to see some consideration of this within the TOM, as we think that this will be a key element of the cooling off period process.

We have provided answers to the points on which you have sought specific views in Annex 1. Should you wish to discuss any of the above points, please contact me via the details provided, or Pamela Mowat (at pamela.mowat@scottishpower.com or on 0141 568 3207).

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a horizontal line that serves as a separator.

Rupert Steele
Director of Regulation

MOVING TO RELIABLE NEXT DAY SWITCHING: CONSULTATION ON A TARGET OPERATING MODEL - SCOTTISHPower RESPONSE

Question 1 - Do you agree with the requirements set out in the TOM?

Yes, we agree with the requirements set out in the TOM as a high level overview of the current and proposed switching arrangements. We are mindful that much of the detail underpinning these requirements will necessitate in-depth industry discussions, and that these requirements will need to be sufficiently flexible to adapt to the emergence of operational complexities or potential risks to the consumer experience.

We agree with Ofgem that it is important to consider two day switching as a potential output of the programme, and to assess the impacts, benefits and risks alongside those of a next day switching model. We continue to believe that two day switching would deliver the majority of the consumer benefit that would be delivered by next day switching, and could also provide a more robust and cost effective solution. If further analysis does indicate that the choice is between a more resilient two day switching process and a one day switching process that was likely to be impacted by operational issues, we think that the former would be the better solution – especially given the importance of consumer confidence in the switching process, and therefore the potential detriment from errors or problems.

There is an inconsistency in the TOM about the terms on which a consumer would be supplied if they cancel their switch and return to their previous supplier. The TOM suggests at paragraph 4.12 that the consumer will be returned on the ‘contract terms they would have been on had they not switched.’ This seems a broadly sensible rule since the consumer may have switched at the end of a Fixed Term Tariff which is no longer available or to avoid a price increase. If they had not switched (and assuming that they had not taken any other action), they would have likely have moved to the cheapest relevant evergreen tariff for them or incurred the price increase. Paragraph 7.17 of the TOM suggests that the consumer would be returned ‘on the same terms and conditions that they were being supplied on before the switch.’ This implies that in the examples above, the customer would be returned to their original Fixed Term tariff or pre-change prices. We think the paragraph 4.12 version is preferable and suggest that paragraph 7.17 is amended to align with it.

Question 2 – Is our description of the requirements sufficiently comprehensive to progress the design of our reforms during the next phase of the programme?

Yes, the description of the requirements within the TOM provides a reasonably comprehensive high-level assessment of the current switching regime and the key factors for consideration in reform. We recognise that the detail of the reforms, and the interactions and interdependencies between the different aspects of the process, will need to be examined further as the industry workstreams develop and the TOM will likely need to be updated to reflect this.

Question 3 – Are there any additional requirements that should be captured in the TOM?

We note that the TOM makes passing reference to the operation of the settlement market through the involvement of supplier metering agents. We think that faster more efficient switching could have a beneficial impact on settlements processes, and suggest that the

TOM should acknowledge this as a secondary objective, so that that the programme can consider the potential for settlement reform and highlight opportunities for action as part of the design work.

Beyond this, we think that the list of Functional service requirements for the CRS within paragraph 6.02 of the TOM provides a generally inclusive view of the scope of the service. One additional point which we think is worth consideration for inclusion is the maintenance of information on consumer vulnerability, and the options for sharing this with the new supplier when a customer switches. Ofgem's current review of the Priority Services Register includes proposals (which we support) to facilitate the transfer of such information on change of supplier, to improve the targeting of support services to those customers who need it. It would seem sensible to also consider the potential for the CRS to play a role in the transfer of this information in a 'faster switching' environment, particularly as Ofgem's high level vision does not include any direct flows or information sharing between suppliers. We would encourage Ofgem to consider the scope of this within the current PSR review, and to include the outputs within the TOM going forward.

ScottishPower
April 2015