

SUMMARY POLICY ISSUE PAPER – FOR EDAG DISCUSSION

Title of Paper	Lock-outs		
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Issued to DA			

Summary and recommendation

1. The issue addressed by this paper is whether customers should be required to take an energy supply with a supplier for a predefined minimum period – a post-switch lock-out period – before being permitted to switch again.
2. By default the current arrangements provide a standstill period in that it takes 2-3 weeks to switch energy supplier. This provides adequate time for all the data exchanges associated with a switch to be completed before the customer can make another switch. With 'next day' switching there is a risk that data exchanges (including closing/opening meter reads, agent appointments, debt assignment, PSR information) will not have been completed and validated before the second switch occurs. This could result in:
 - a. Errors in opening or closing bills or in assigning debt
 - b. Difficulties in setting up the customer's account due to the lack of meter configuration information being received from a previous meter operator (mainly in electricity)
 - c. Additional costs being incurred by suppliers to resolve errors in the data exchange process
3. To mitigate these risks we invite EDAG to comment on the following recommendations :
 - a. A short lock-out period (up to 10 calendar days) is set as a configurable parameter in the CRS. The period should be as short as possible to meet the objective of mitigating data integrity risks
 - b. This lock-out period should apply to both gas and electricity and all types of customer
 - c. The initial value of the lock-out parameter should be set later in the programme when factors such as the transition strategy and the penetration of smart meters at CRS go-live will be clearer. For the purposes of the Request for Information in the Blueprint Phase we will make a working assumption that the period is 5 calendar days.

- d. The Registration Agent (i.e. DCC) should be required to monitor and, periodically, report on the operation of the lock-out. Based on DCC's reports, parties could propose changes under Code governance
 - e. The lock-out period should apply in cases of cooling off (the use of lock-out with erroneous transfers will be considered separately).
4. The lock-out period is unlikely to be noticed by the vast majority of customers. All customers will be able to achieve a next-day switch from Supplier A to B (subject to any objections that need to be resolved). The lock-out period will only become apparent when a customer who has switched from Supplier A to B then wishes to switch very quickly to Supplier C. Where the lock-out period constrains a customer from making a second switch as quickly as desired, suppliers should explain that the lock-out period is designed to ensure that the switching process offers a reliable service to all customers.

Analysis

5. In TOMv2 we stated that lock-out periods should only be applied where necessary and that their duration should be minimised. Against that background, we considered whether a lock-out period is needed at all and, if yes, then whether it should be of short duration (up to 10 days), longer to align with cooling off (14 days) or longer still (up to 28 days) to mitigate the risk that debt write-offs increase as a result of rapid switching.
6. The long option (28 days) to explore whether there is a need to support market stability. However, suppliers did not consider that the threat of writing off debts for short periods of supply would justify a lock-out period and suggested that smart meters (which can be configured remotely into prepayment mode) would provide a more appropriate tool for managing credit risks.
7. We also considered whether a lock-out period might be aligned with cooling off. However, such alignment is illusory as the start points for the two periods are different (cooling off at entry of contract, lock-out at date of first switch) and there are exceptions to the 14 days for cooling off.
8. As the current de facto lock-out period is quite long (2-3 weeks) we have no empirical evidence to justify a shorter lock-out period. The option of not including the functionality in the CRS for a lock-out period was however rejected as numerous anecdotal reports were presented at the User Group and in bilateral meetings of situations where data integrity failures have resulted in poor customer experiences.
9. On balance, we concluded that a short, parameterised lock-out period of up to 10 calendar days would provide mitigation against the data integrity risks while allowing industry – with Ofgem involvement – flexibility to adjust the duration of the lock-out as evidence accumulates. We expect that the initial value for the lock-out period would be set during the Design, Build and Test Phase.

Summary of key points from stakeholders

Business Process Design User Group

10. Overall the recommended approach of a parameterised value for a lock-out period was supported, with the expectation this would be set in the range 0-10 calendar days. Lock-out would be monitored by DCC and the number of days could be modified under Code governance.

11. The User Group highlighted that the Debt Assignment Protocol allows suppliers up to 15 working days to resolve such cases and that, in practice, it can take significantly longer before the debt is applied to the customer's account and the debt balance is updated on their meter. They suggested that the Debt Assignment Protocol should be streamlined to align it more closely with the proposed lock-out period.